

3 1761 11712285 3

CA1
Z 1
37A21



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

Gov. Doc.
Can
Com
D

Canada-Dominion-Provincial Relations,
"Royal Commission on, 1937

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF HEARINGS

[Prince Edward Island]

Prince Edward Island

FEB 10 1938 — Feb. 11, 1938

2 pts. in 1 vol.

REPORTERS:

George Thompson
John Robertson
David Torry

383368
1-8-40



CHARLOTTETOWN, PRINCE EDWARD ISLAND, FEBRUARY 10, 1938

LIST OF REPRESENTATIONS BY THE CHARLOTTETOWN
BOARD OF TRADE

	<u>Page</u>
LT.-COL. G. ELLIOT FULL	4328 - 4386
C. N. BISSETT,	4372 - 4373
J. O. HYNDMAN,	4314 4376 - 4379
R. L. COTTON,	4382 - 4384

LIST OF REPRESENTATIONS BY THE PROVINCE OF
PRINCE EDWARD ISLAND

HON. THANE A. CAMPBELL,	4387 4407 - 4408 4444 - 4451
JAMES E. WELLS,	4387 - 4407
J. O. C. CAMPBELL,	4408 - 4443

CHARLOTTETOWN, PRINCE EDWARD ISLAND, FEBRUARY 10, 1938

LIST OF EXHIBITS

Page

Exhibit-160:	Brief submitted by the Charlottetown Board of Trade	4451
--------------	--	------

...

CHARLOTTETOWN, PRINCE EDWARD ISLAND, FEBRUARY 10, 1938TOPICAL INDEX.

	<u>Page</u>
<u>LePAGE, HON. B.W.</u> (President of the Executive Council)	
Address of welcome	4322
THE CHAIRMAN: Reply to address of welcome	4323
<u>CAMPBELL, HON. THANE A., K.C.</u> (Premier of Prince Edward Island)	
Opening remarks	4324 4328
<u>FULL, LIEUT.-COLONEL G. ELLIOT</u> (President of the Charlottetown Board of Trade)	
Brief of the Charlottetown Board of Trade submitted	4328
THE CHAIRMAN: With regard to the phrase "a frugal people with the least per capita income of any Canadian province"	4330
Inclusion in the per capita income of the subsistence of the farmer	4330
Drift of rural populations to the city	4331
Decline in the population of Prince Edward Island	4331
THE CHAIRMAN: Agriculture not a profitable industry in many parts of Canada	4332
Decline in per capita income of Prince Edward Island	4332
THE CHAIRMAN: Basis of computing per capita income; per capita income for wheat farmers and mixed farmers	4332
Incomes of urban and rural families	4333

FULL, LIEUT.-COLONEL G. ELLIOT (CONT'D.)

THE CHAIRMAN:

Present difficulties
in Prince Edward Island
due to late spring and
early summer

4334

Decline in the price
of fox pelts

4334

THE CHAIRMAN:

Price of potatoes

4334

"Cautious hesitancy with
which Prince Edward
Island entered Confed-
eration not entirely
without foundation"

4334

Dependence of Prince
Edward Island upon
agriculture and fishing

4335

Transportation difficult-
ies

4336

Quotation from Order-in-
Council of June 26, 1873,
with regard to communica-
tion between Prince
Edward Island and the
mainland

4337

COMMISSIONER ANGUS:

Significance of the
second paragraph of
Order-in-Council of
June 26, 1873

4337

THE CHAIRMAN:

Daily communication
between Prince Edward
Island and the mainland

4338

Cost of extra ferry service

4339

Approximately half of
Prince Edward Island
without train service
for eight months of
the year

4339

THE CHAIRMAN:

Train connections made
by the ferry

4339

Obligation of the
railway company to
provide service

4339A

Air service

4339A

4339B

THE CHAIRMAN:

Railway connections
made by air service

4339B

Subsidizing of air
service by Post Office
Department

4339B

FULL, LIEUT.-COLONEL G. ELLIOT (CONT'D.)

COMMISSIONER ANGUS:
Contract of Canadian
Airways with the Postal
Office Department

4339B

THE CHAIRMAN:
Speed of air service

4339C

As to whether air
service preferable to
an extra ferry

4339C

Automobile ferries

4340

No bus or truck compet-
ition with the railways
in Prince Edward Island

4341

THE CHAIRMAN:
Reason for high freight
rates from Prince Edward
Island to mainland

4341

Lack of docking facilities
in Charlottetown Harbour

4341
4342

COMMISSIONER DEFOE:
Method of shipping
freight from P.E.I.
to foreign ports

4343

THE CHAIRMAN:
Justification for
cost of providing
new docks at
Charlottetown

4344

Number of vessels which
would visit Charlottetown
in a year if there were
proper harbour facilities

4344

Ownership of existing
docks at Charlottetown

4344

Representations of Halif-
ax Board of Trade with
regard to government
owned docks

4345

Reason for high cost
of transportation

4345

Increase in railway
rates in winter months

4346

THE CHAIRMAN:
Price of P.E.I.
potatoes in Toronto

4347

COMMISSIONER ANGUS:
Incidence of tariff on
cost of goods purchased
in P.E.I.

4348

101

102

103

104

105

106

107

108

109

110

111

112

113

114

115

116

117

FULL, LIEUT.-COLONEL G. ELLIOTT (CONT'D.)

Administration of social services	4349
THE CHAIRMAN: Number of persons on relief a determining factor in the amounts paid by Dominion for direct relief to the provinces	4350
Municipal relief in Charlottetown	4351
COMMISSIONER DAFOE: Administration of relief primarily a municipal function	4353
Influx of poor rural families to the City of Charlottetown	4353
COMMISSIONER DAFOE: Farm labourers	4354
THE CHAIRMAN: Maximum amount of relief in Nova Scotia	4354
COMMISSIONER MACKAY: Increased rates of relief payment involving increase in population of city	4354
THE CHAIRMAN: Cost of relief lower in rural sections	4355
Longevity in Prince Edward Island	4355
Cost of old age pensions	4356
THE CHAIRMAN: Conditions upon which old age pensions granted in P.E.I.	4356
COMMISSIONER DAFOE: Administration of old age pensions	4356
THE CHAIRMAN: Maximum amount of income allowed old age pensioners	4357
Inequality in the grants for unemployment relief and old age pensions to the province from the Dominion	4358

FULL, LIEUT.-COLONEL G. ELLIOT (CONT'D.)

THE CHAIRMAN:

Means of equalizing
grants to the prov-
inces 4359

COMMISSIONER DAFOE:

Social services essent-
ially a provincial
responsibility 4359

COMMISSIONER MACKAY:

Minimum allowances for
rural and urban old
age pensioners 4359

COMMISSIONER DAFOE:

Assumption of unemployment
relief and old age pensions
by the Dominion 4360

THE CHAIRMAN:

Question as to whether the
Dominion could administer
unemployment relief and
old age pensions as econ-
omically as the municipal-
ities and the provinces 4360

Workmen's Compensation 4361

Cancellation of loans
made by Dominion to
provinces 4362

National Loan Council 4362

THE CHAIRMAN:

Control of municipal
and provincial borrow-
ings by a loan council 4363

National unemployment
insurance 4364

COMMISSIONER DAFOE:

Group insurance 4365

THE CHAIRMAN:

Provinces which would
not benefit by unemploy-
ment insurance 4365

General average of
wealth in P.E.I. 4366

No comparison between
income on the land and
income in the cities 4367

Financial difficulties
of P.E.I. farmers 4367

COMMISSIONER MACKAY:

Debt situation among
P.E.I. farmers 4368

FULL, LIEUT.-COLONEL G. ELLIOT (CONT'D.)

THE CHAIRMAN:

Size of average P.E.I.
farm

4368

Value of average farm

4368

Income Tax

4369

Succession duties

4371

THE CHAIRMAN:

Payment of succession
duties in P.E.I. when
individual has entire
estate invested in
other provinces

4372

Provincial revenue
from succession duties
in 1937

4374

STEWART, J. MacGREGOR: Examination of Lieut.-Col.
Full

4375

4386

Railway connections
between Prince Edward
Island and the mainland

4375

THE CHAIRMAN:

Canadian National
Hotel in Charlottetown

4377

Annual amount paid
by the Dominion under
the Maritime Freight
Rates Act

4380

Competitive rates of
railway with steamship
service in the summer

4380

Dominion administration
of social services

4381

National Loan Council

4383

National unemployment
insurance

4384

Income tax

4385

Price of goods brought
into P.E.I. from other
provinces

4385

ELLIOT, JAMES H., ESQ. (Member of the Bar of Prince
Edward Island)Proposal to capitalize
subsidies

4387

Subsidies a source of
interprovincial mistrust

4390

Increasing of subsidies

4390

WELLS, JAMES E. (CONT'D.)

THE CHAIRMAN:

Capitalization of
subsidies at three
per cent

4391

Rate of interest on
Dominion loans in the
western provinces

4392

Expenditures involved
in the opening up of
new areas in the
western provinces

4393

Amount of provincial
debt in P.E.I.

4394

COMMISSIONER ANGUS:

Payment of interest
on existing debt

4394

THE CHAIRMAN:

Acceptance of Dominion
bonds by holders of
P.E.I. bonds

4396

Majority of P.E.I.
bonds below 4.16 per cent

4396

THE CHAIRMAN:

Fair rate for
refunding

4396

COMMISSIONER DAFOE:

Capitalization of
unconditional subsidies
for all the provinces

4397

Conditional subventions

4397

THE CHAIRMAN:

References to the
book "The Principles
and Problems of
Federal Finance"

4397

4398

THE CHAIRMAN:

The principle that
taxation is to make a
transference from the
rich to the poor

4398

COMMISSIONER ANGUS:

Standard of equity in
taxation

4398

THE CHAIRMAN:

The principle of fiscal
need

4399

Assumption of provincial
debt by the federal govern-
ment

4399

WELLS, JAMES E. (CONT'D.)

THE CHAIRMAN:

Sources of taxation
which could be turned
over to the Dominion
in recompense for the
assumption of provin-
cial debt.

4400

Loan Council

4401

COMMISSIONER ANGUS:

Creation of two separate
systems of taxation for
P.E.I. and the mainland
of Canada

4405

COMMISSIONER MACKAY:

"Log rolling" in proposed
loan council

4405

Loan Council in Australia

4406

COMMISSIONER DAFOE:

The Commonwealth Bank
the deciding factor in
the Australian Loan
Council

4406

THE CHAIRMAN:

Necessity of investig-
ating the constitution
of the Australian
Loan Council

4406

A Loan Council and a
Grants Commission

4407

J. CAMPBELL, ESQ. (Member of the Bar of Prince
Edward Island)

Fiscal need as the basis
for subsidies and grants
to the provinces

4408

THE CHAIRMAN:

Unemployment relief
based on the need of
the individual within
the province

4408

Land question in P.E.I.
prior to Confederation

4414

4424

Compensation in 1867
to P.E.I. for loss of
land

4414

4415

COMMISSIONER DAFOE:

Use of payments for
land to pay debt to
landlords

4422

J. CAMPBELL, ESQ. (CONT'D.)

THE CHAIRMAN: Objection of the White Commission to fiscal need being adopted as the basis for grants and subsidies	4424
Determination of fiscal need	4430
COMMISSIONER ANGUS: Re-establishment of grants for arrangements between Dominion and Prince Edward Island on the basis of fiscal need in of the province in 1938	4431
Education	4432
Education a national problem	4433
THE CHAIRMAN: Provision of the B.N.A. Act that education shall be a provincial matter	4433 4434
Financing of education in P.E.I.	4434
THE CHAIRMAN: Municipal organizations outside the cities	4434
School districts	4434
Payment of teachers' salaries	4435
THE CHAIRMAN: School sections in Ontario responsible for entire expenditure of school boards	4435
Municipal institutions in British Columbia	4435
Average salary paid to teachers in P.E.I.	4436
Increase in the cost of education	4437
THE CHAIRMAN: Decline in rural population	4437
Average rural school teacher's sal- ary in Saskatchewan	4438

CAMPBELL, J. ESQ. (CONT'D.)

THE CHAIRMAN:
Taxes on a farm
worth \$5,000.

4439

The National Policy

4440

Quotation of Sir
Leonard Tilley

4440

Decline in population
in P.E.I. after Con-
federation

4442

Effect of the tariff
on P.E.I. farmers

4443

Frugality and Taxation

4445

Curtailment of expend-
itures in P.E.I.

4446

Mothers' allowances;
technical education;
hospitalization; pub-
lic health services

4447

THE CHAIRMAN:
Maintenance of
public hospitals

4447

COMMISSIONER LAFOE:
Treatment of indig-
ent patients

4448

THE CHAIRMAN:
Provision made for
indigent patients
in rural communit-
ies

4448

Inadequacy of govern-
ment grants to hospitals

4448

Minimum model budget

4448

THE CHAIRMAN:
Maritime union

4450

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

CHARLOTTETOWN, PRINCE EDWARD ISLAND, FEBRUARY 10, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Supreme Court Building, at Charlottetown, Prince Edward Island, on Thursday, February 10, at 10.30 a.m.

PRESIDENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS

JOHN W. DAFOR, Esq.

DR. ROBERT ALEXANDER MacKAY

PROFESSOR HENRY FORBES ANGUS

Commissioners

Commission Counsel:

James McGregor Stewart, Esq. K.C.

Secretariat:

Adjutor Savard, Esq.

E. E. Fowler, Esq.

Wilfrid Eggleston, Esq.

Acting Secretary

Legal Secretary

Assistant to the Secretary

FOR THE CHARLOTTETOWN BOARD OF TRADE:

Lt.-Col. G. Elliott Full

C. K. Bissett, Esq.

J. C. Hyndman, Esq.

R. L. Cotton, Esq.

President

Vice President

FOR THE GOVERNMENT OF PRINCE EDWARD ISLAND:

Hon. Thane A. Campbell,

J. Campbell, Esq.

James E. Wells, Esq.

Premier

Court House,
Charlottetown, P.E.I.,
February 10, 1938.

MORNING SESSION

The Commission met at 10.30 a.m.

ADDRESS OF WELCOME

HON. B.W. LOFAGE, President of the Executive Council:
Honourable Chief Justice Rowell and Members of the Royal
Commission on Dominion-Provincial relations, Gentlemen:
On behalf of the government and people of Prince Edward
Island, I heartily welcome you to this province. Although
the smallest in area of all the provinces, we are not
the least in other respects. Consider our historical
background; for instance, in 1534 the island was discovered
by Jacques Cartier; in 1773 the first assembly of what
was then known as the Island of St. Jean met; in 1851 we
were given our first responsible government. If you
visit the Confederation Chamber in the adjoining
venerable Legislative Assembly Building you will find
there a tablet, stating that, in the hearts and minds
of the delegates assembling in this room on September 1st.,
1864, was born the Dominion of Canada. It is a far cry
from 1873, when we entered Confederation, and although we
are duly grateful for whatever benefits we have received, we
must admit we lost heavily in population, and suffered other
disadvantages, which will be duly set forth when our case is
submitted to you. In that submission, or brief, as it may be
called, you will note the words "extreme caution, frugality,
and economy of governmental administration." This
indicates that the Premier belongs to one of the four great
races of which our population is composed, and we are
one with him in seeking assurance that we should not be

called upon to give up any of our existing revenues without relief from an equal, or greater amount of present expenditures.

We note the terms of reference under which the Commission is functioning, and realize that this distinguished body is highly qualified for the tremendous, important task which it is now carrying on. We have problems, -- financial, economic, and legislative, which you will be asked to examine, and we believe that a solution will be found within the framework of Confederation, within a united, happy, and prosperous Canada. We trust that your labours, -- to use the words of the minute in council, relative to your appointment, -- will conduce to a more efficient, and economic discharge of governmental responsibility in Canada. We are ready, as a province, to give our cooperation to that worthy need.

THE CHAIRMAN: Mr. LePage, Mr. Premier, and Members of the Government: On behalf of my colleagues and myself, I beg to thank you very sincerely for your words of welcome to Charlottetown and Prince Edward Island. I only wish that my colleagues, those of them who have not¹ visited Prince Edward Island before, could have seen it in the summer time or the autumn, and enjoyed the beauty of the landscape, which I have had the privilege of doing in past years, as well as this past autumn. You truly have a very notable history, and no one can visit the legislative chamber and see the table and inscriptions there, without real emotion; recognizing that it was in that room and seated around that table that the Fathers of Confederation formed the real idea of union, which culminated in Canadian Federation. While all the hopes that were held at that time may not have been fully

realized, I am sure we all feel that they were great men, and made sacrifices to ensure Canadian national unity; that we have inherited a great heritage in a united Canada, and that it is our privilege and our duty to seek to pass on to those who come after us this heritage of Canadian national unity.

Within that unity, however, there is opportunity for diversity, and in order that the spirit of unity may be preserved, we must recognize that these diversities do exist, and we must each contribute his share, both individually and provincially, to the sum total of the national welfare.

We shall listen with great interest to the briefs which will be presented here, and I can assure you they will receive our most earnest consideration. May I again thank you for the very kind words with which you have welcomed us, and say that we appreciate the place Prince Edward Island holds in the Canadian Federation, and the contribution you have made, not only to the economic, but to the cultural life of Canada; Prince Edward Islanders who have become national figures in our national parliament, and also leaders in the Church and in education. We recognize and highly value the contribution this island has made.

I understand, Mr. Premier, you desire the Board of Trade to present their brief.

HON. THANE A. CAMPBELL, K.C., Premier of Prince Edward Island: Yes, my Lord. There are just one or two remarks I wish to make in opening. Your Lordship, and Members of the Royal Commission; I wish to thank you, Mr. Chairman, for the very apt words with which you have responded to the welcome by the Honourable Mr. LePage. It seems to me to be very fitting that an important

Commission of this kind should be present to attend the formal reopening of the Law Courts Building in this city. On looking at the inscription over your head I notice the figure 1875, which I believe denotes the year in which this building was first approximately completed, and a further investigation, I believe, reveals the fact that the building was commenced in the year 1873, the year in which this province entered the Canadian Confederation. That suggests to me an interesting comparison. In 1873 Prince Edward Island entered Confederation; in 1873 the principle Law Courts Building of the province was commenced. Ever since then this building has carried on and served the needs of the province to a certain extent with very little, if any, structural alterations. But, as time went on, conditions altered in the administration of the law, and while the main structure was a very solid and proper construction, and needed very little repair of any kind, the internal arrangements became largely unsuited, in a large measure, at least, to the developed needs of the administration of the law. [This deficiency became apparent, I believe, some twenty-five years ago, and ever since that time plans have been on foot for the alteration and substantial reconstruction of the interior of the building. However, for one reason or another the alterations were delayed until the past year, when they were undertaken.

Only those who were familiar with the interior of the old building, -- or the building as it used to be, -- can appreciate the changes and the improvements which have been made, if I may say so, in the adaptation of the building to modern needs. That suggests to me another interesting comparison; ^{that} the Canadian Confederation, the British North America Act, the basis

of our constitution, adopted in 1867, and with slight modifications for this province, which entered in 1863, has, on the whole, functioned well, and has carried out to an admirable and almost unexpected degree, the purposes for which it was drafted and enacted. But, naturally, conditions have changed; the development of a young nation into a greatness which was probably never anticipated, and certain aspects within that constitution have possibly become inadequate to the management of all our modern requirements.

Therefore, it is only fitting that perhaps a long overdue survey of the relations between the Dominion and the provinces, constitutionally and financially, has been finally undertaken. So far as this province is concerned we welcome the members of the commission, and we trust that their deliberations will be attended with great benefit, not only to this province to Canada as a whole.

I appreciate the courtesy extended to the government of this province by the members of the commission in the matter of the preparation and presentation of our brief. It is rather a colossal undertaking, in view of the small staff which is ordinarily available in the provincial public service. Possibly at this stage it would not be unfitting if I were to acknowledge the cooperation and assistance which I have received in the preparation of this brief. In the first place, on the part of my colleagues in the government, in the executive council; in the second place, on the part of the members of the provincial public service, and I think I might mention particularly in this connection, Mr. Sydney Fielding, the Deputy Provincial Secretary-Treasurer, and Mr. William E. Massey, the Provincial

Auditor. Their work has been valuable, not only in the preparation of the main brief, but in the preparation of the material required for the financial questionnaire. I think it would not be invidious, among the secretarial staff, to mention the excellent service which has been rendered by Miss Norma Younker, whose competency and accuracy has greatly facilitated the putting of the brief in its final form. I might also mention the assistance which has been rendered by counsel in the matter, Mr. J.O.C. Campbell, and Mr. James E. Wells. We have also had substantial assistance from the Principal and Vice-Principal of Prince of Wales College, and from the members and executive of the Teachers' Federation.

I might mention in that particular connection, that a brief was prepared by the Provincial Teachers' Federation, and it was their intention to present that brief in a separate manner, but after an amount of collaboration with the government, and after finding that the government's brief covers practically the whole ground which was intended to be covered by their own brief, the Teachers' Federation have intimated that they do not intend to make a separate presentation of their brief.

Finally, Mr. Chairman, and Gentleman, I must acknowledge the cooperation and collaboration of the Charlottetown Board of Trade. They have not only cooperated to a certain degree in the preparation of the government brief, but they have prepared what I consider to be an excellent brief on their own account. As your Lordship intimated, if it would not be interrupting the order of procedure too much, I would ask that at this time the Charlottetown Board of Trade be given the opportunity to present its brief first in order.

Thank you.

THE CHAIRMAN: Thank you, Mr. Premier. That is quite agreeable to the Commission; we desire to follow whatever order the government considers desirable.

LIEUT. COL. G. ELLIOT FULL, President of the Charlottetown Board of Trade, was called.

LIEUT. COL. FULL: Mr. Chairman, and Gentlemen of the Commission, the Charlottetown Board of Trade appreciates very much the privilege of adding their thought to the welcome which has already been presented to you. When the commission was appointed, the Charlottetown Board of Trade, which has been active for fifty years, working not only in the interests of the city, but in the interests of the province as a whole, felt they would like to gather together some thoughts in the matter. They appointed a Committee before my term of office as President of the Board, and I would like to pay tribute to that Committee, who have spent a great deal of time and a great deal of thought on the subject. It was under the Chairmanship of Mr. R.L. Cotton, supported by Mr. R.E. Mich, Mr. G.M. Bisset, Mr. A.W. Hyndman, Mr. Arthur Belcher, Mr. J.J. Morris, Mr. R.R. Bell, who was the previous president of the Board of Trade, and Mr. D.F. Archibald. You will notice them sitting in the Jury Box, and I think I can submit for them their opinion as far as Prince Edward Island is concerned in its relations to the Dominion structure.

If it is satisfactory, sir, I would like to read the brief, and if at any time any member of the Commission or the Counsel would like to interrupt, it will not bother or annoy.

THE CHAIRMAN: The Commission may ask some questions as you proceed, but I think perhaps it would be convenient, if Mr. Stewart has any questions to ask, he can ask them

at the conclusion of your submission.

LIEUT. COL. FULL: To the Chairman and members, the Royal Commission on Federal Provincial Relations;

"Gentlemen:

The Charlottetown Board of Trade extends to you its sincere felicitations on the occasion of this, your visit to the birthplace of the very Confederation whose effects you have been commissioned to examine. May the results of your deliberations be such as to remove the many sources of friction that have gradually arisen during the past seventy years.

We consider it a privilege and honour to be permitted to add our opinions to the voluminous data which have already been presented to you. It is our opinion that many of the unanticipated abuses, inequalities and difficulties that have grown up in the course of the development of the Canadian Nation may be seen with particular clarity in the light of conditions in Prince Edward Island. Here you will find a frugal people with the lowest per capita income of any Canadian province; a people, however, who have lived carefully within that low income and who have consistently denied themselves many of the luxuries which other parts of the country have enjoyed and paid for through prodigal borrowing which has led them to the very brink of bankruptcy. You will find, too, a people who have long shouldered a heavy burden in order that other parts of Canada might enjoy a very considerable industrial development. You will find a people who have failed to receive an equitable share of the Dominion contributions toward the

social services, and who have at the same time, been heavily penalized by the collection and distribution in other provinces of taxes on income and wealth to which this Province has contributed. Those points we propose to indicate to you in some detail. First, however, we shall provide you with a brief resume of the economic background of this province."

THE CHAIRMAN: There is just one question I might ask there. You say: "Here you will find a frugal people with the lowest per capita income of any Canadian province."

LIEUT. COL. FULL: The paragraph at the bottom of the page will show that, and it is taken from the Canada Year Book.

THE CHAIRMAN: Do you know whether there is included in that what is typical of an agricultural community, namely, the ~~subsistence~~ of the family?

LIEUT. COL. FULL: When this was made up, sir, my understanding of those figures was that the value of field crops was taken into consideration, and when the value of field crops is taken into consideration it takes into account everything that is taken off the first six inches of soil.

THE CHAIRMAN: It is only my impression, but I understood it was the cash crops, the crops that were sold, which were considered, and that what was consumed on the farm is not taken into account. I may be in error.

LIEUT. COL. FULL: I am not positive, sir, I do not know whether anyone can give me definite information. Mr. Archibald may get that information for me. I think, sir, it may have been that it is taken on the value of field crops. The statement is made up each year by the

Dominion Bureau of Statistics, based upon such things as the acreage planted to various crops, plus the approximate yield from year to year, and then showing the value of the crops of the province, because that is really all we have, the value of the field crops.

"When Confederation was first discussed, Prince Edward Island was a thriving community of roughly 95,000 persons, representing 2.55 per cent of the population of the whole area that was later to become the Dominion of Canada. The province enjoyed a moderate growth until 1891, when it had a population of 109,078, which was to prove a peak. Since then, it has gradually declined and the 1931 census showed a population of only 88,038, representing only 0.85 per cent of the total population of Canada."

We have the first six inches of soil to live on, and on account of economic difficulties and handicaps in transportation, and distance, prospects were brighter for the young people in the other parts of Canada.

THE CHAIRMAN: Of course, what you say here is characteristic of the rural sections of the other parts of Canada also. I know that in Ontario many of the important counties have substantially lower population today than they had thirty or forty years ago. It is the drift from the country to the city. Apparently it is not characteristic of Canada only, but of all English-speaking countries, and I dare say, of other nations. There is a drift to the city from the country.

LIEUT. COL. FULL: It is based on two things, sir; the fact that you have modern machinery which required less men on the farms; that is one of the reasons.

THE CHAIRMAN: And agriculture has not been a very profitable industry in a good many parts of Canada in recent years.

LIEUT. COL. FULL: I am afraid we know it, sir. I will read from the brief.

"The decline in welfare, however, is even more pronounced than is the decline in population. Per capita income in 1934 was only \$167.31, as against \$351.80 for the Dominion as a whole."

Very much to my surprise, is the next figure, that of the province of Saskatchewan, showing that this area had a greater income in 1934 than we had.

THE CHAIRMAN: We must get to some basis of computing that figure. It came up before us in one of our other hearings, and I am inclined to think it is on the basis of income. In an agricultural community the income is lower because the subsistence of the farmer and his family comes out of the farm, if it is mixed farming, but where it is wheat growing, like they have in Saskatchewan where they sell the crop, the cash return is the thing counted. They buy a great deal of ordinary things which a farmer in a province like Ontario or Prince Edward Island would grow for himself.

LIEUT. COL. FULL: The farmer in Prince Edward Island can provide his own vegetables, meat, and milk. Now, everything else has to be purchased.

THE CHAIRMAN: The impression I got was that those figures were likely to be misleading unless one studied the basis on which they were made up. I was thinking at that time as between Saskatchewan and Ontario, where the

farmer in Ontario has mixed farming and keeps his own pigs, cows, and sheep, and grows his own vegetables, and so on, and the amount he sells is not so great as in the case of the wheat farmer, who must sell a great deal more.

In the Canada Year Book, 1937, on page 864, they speak about the difficulty of arriving at the question of the family income, "while such income, not received directly in money but in commodities^{produced} and services rendered, is not, except for house and furniture rent, an important percentage of the family income in most urban families, it constitutes a very important part of the income of most rural families, who to a much larger extent consume the commodities which they themselves produce. For this reason, indeed, a comparison between the incomes of urban families and rural families is^{often} misleading, through not allowing for the non-money income of the latter."

I must say that when we were in Saskatchewan I was struck by the disparity between the income of the Saskatchewan farmer, notwithstanding the disadvantages under which they had been suffering, as compared with other provinces, and I then got that explanation, that in arriving at the figure of income they do not consider what is consumed on the place; it is only the things which are sold. Therefore, in an agricultural community, where there is mixed farming, like Prince Edward Island, or Ontario, or Quebec, you cannot get a fair comparison by figures with a province like Saskatchewan. More particularly, because in Saskatchewan, --- the southern half, at least, -- produces little but wheat, and they buy other commodities. I just wanted to get the point clear.

LIEUT. COL. FULL: I will continue with the Brief:

"More recent figures are not available but

conditions in Prince Edward Island have remained

relatively stable, tending to change slightly for the worse during the current year."

I may say that just at this present time the population of Prince Edward Island is finding conditions tougher, I believe, than they did in 1931 or 1932, when things were at their lowest.

THE CHAIRMAN: Is that due, might I ask, to the late spring and the dry summer?

LIEUT. COL. FULL: It is partially due to that, and last year we had unfavourable crops on the whole. It is also due to the fact that fox pelt production in the world has gone up and the price has gone down. Fox farming is one of the main industries of this province.

THE CHAIRMAN: The prices^{of potatoes}/are not as good as they were last year?

LIEUT. COL. FULL: No, sir. Nor was the crop anything like as large. It is an unusual condition, we had a small crop and a small price. It is generally the other way.

THE CHAIRMAN: The crop, we hope, will improve with weather conditions. You have not suffered like the west did, with seven dry years.

LIEUT. COL. FULL: I do not know what would happen to us if we did. I will continue with the brief:

" The fact that Prince Edward Island has not prospered under Confederation as have other parts of Canada is clear and unmistakable. All this has been shown in the reports of the Duncan Commission and the White Commission. The cautious hesitancy with which this province entered Confederation in 1873 has proven to be not completely without foundation.

This condition, we believe, is due principally to two factors, viz., the predominantly agricultural nature of our economy, and the difficulties of transportation under which we have laboured.

With no mineral resources, and with forest reserves used up before we entered Confederation, the only important primary industries available to the people of this province are agriculture and fishing. High cost of transportation, lack of raw materials, and the complete absence of cheap power have made manufacturing, except on a very limited scale, unprofitable and impractical. It is, therefore, not surprising to learn that two thirds of the gainfully employed males in the Province are engaged in agriculture, and the greatest proportion of the remainder are employed in the service trades, and are, therefore, directly dependent on agriculture. No other Canadian province, with the possible exception of Saskatchewan, is so dependent on this one industry.

The development of the nation since Confederation has been such as to penalize a province so dependent on agriculture. World Tariff Policies have gradually restricted our foreign markets and the domestic markets that have developed have tended to grow up in the central parts of the country and are therefore not readily accessible to us because of the difficulties and high cost of transportation. Because of this, our proportion of the net production of the whole country has shown a slow, steady downward trend, reaching a low point of 0.48 per cent in 1934 as against 0.70 per cent in 1925.

With regard to transportation difficulties in Prince Edward Island we shall be brief as we understand that the Transportation Commission of the Maritime Board of Trade is to present a brief to you on transportation in the Maritimes at a later date. The Transportation Commission is supported by this province in conjunction with Nova Scotia and New Brunswick and we commend their remarks to your careful consideration.

There are certain points, however, having peculiar reference to Prince Edward Island which we believe should be brought to your attention.

During the winter months"

As a matter of fact, not only then, but running from October sometimes to the first of June.

".....persons travelling from the New England states to Prince Edward Island or from Montreal if they travel on the 'Ocean Limited', are unable to get connections by rail from Moncton to this Province the same afternoon as they arrive in that city and, as a result are forced to lose a day's travelling time. Another difficulty is that, from Saturday morning until Monday morning it is not possible to get to the Mainland by rail nor is there any connection to Prince Edward Island from the mainland between Saturday and Monday afternoon."

THE CHAIRMAN: That is the reason you enjoy a quite Sunday down here. Being God-fearing people you would enjoy a quite Sunday.

LIEUT.-COLONEL FULL: But, if by necessity, we want to get across, we have to hire a plane to get away.

" In this connection we wish to call to your attention the terms of Union under which this

Province entered Confederation in 1873. From the Order in Council issued on the 26th day of June 1873, we quote the following:

'That the Dominion Government shall assume and defray all the charges for the following services, viz.....

EFFICIENT STEAM SERVICE FOR THE CONVEYANCE OF MAILS AND PASSENGERS, to be established and maintained between the Island and the mainland of the Dominion, Winter and Summer, thus placing the Island in CONTINUOUS COMMUNICATION WITH THE INTERCOLONIAL RAILWAY AND THE RAILWAY SYSTEM OF THE DOMINION.....'

And the second paragraph, may not be completely given here to make it clear, but the last phrase is the important one: "And such other charges as may be incident to, and connected with, the services which by the 'British North America Act, 1867,' appertain to the General Government, AND AS ARE OR MAY BE ALLOWED TO THE OTHER PROVINCES;"

COMMISSIONER MACKAY: To what does that refer?

LIEUT. COL. FULL: It refers to the Order in Council, and the agreement which Prince Edward Island made with Ottawa when we went into Confederation.

COMMISSIONER MACKAY: But, I mean that last paragraph.

LIEUT. COL. FULL: That last paragraph relates to anything that any other province receives, we are entitled to, in proportion.

THE CHAIRMAN: Well, does it mean that? Or does it mean the distribution of powers and the general financial arrangements? There was a special financial arrangement for Prince Edward Island when they came in.

LIEUT. COL. FULL: The word "service" is there;
 "...the services which by the 'British North
 America Act, 1867,' appertain to the General
 Government, AND AS ARE OR MAY BE ALLOWED TO
 THE OTHER PROVINCES."

THE CHAIRMAN: That appears in the Order in Council.

LIEUT. COL. FULL: I have a copy of the Order in
 Council here.

THE CHAIRMAN: We have it in the brief; I was
 just turning up to see. Do you recall where that particul-
 ar section is?

LIEUT. COL. FULL: In this copy which I have here
 it follows right after the words "the maintenance of
 telegraphic communication between the island and the
 mainland of the Dominion," but this may be just an
 extract.

THE CHAIRMAN: It reads: "The maintenance of
 telegraphic communication between the Island and the
 mainland of the Dominion;

And such other charges as may be incident to, and
 connected with, the services which by the 'British North
 America Act, 1867,' appertain to the General Government,
 and as are or may be allowed to the other provinces."

Yes, thank you.

LIEUT. COL. FULL: I continue with the brief:

" We submit to you that this denial to us of the
 afternoon service throughout approximately eight
 months of the year is a direct violation of the
 obligation of the Dominion of Canada to maintain
 a continuous communication with the Intercolonial
 Railway and the Railway system of the Dominion."

THE CHAIRMAN: How can you say that is a denial if
 there is daily communication?

LIEUT. COL. FULL: The service as supplied; for instance, there are two trains coming through. There is the train from Boston, with which we have no connection.

THE CHAIRMAN: Do you know what it costs to provide this ferry service? Have you any idea?

LIEUT. COL. FULL: No, sir, I have not. I have no idea what the extra cost of the ferry would be; I cannot give you the figures at the moment. As far as the ferry is concerned, very often it is run, but for freight only, there is no obligation on the railway at the present time to run that boat, but at certain times of the year when freight is moving, the boat is run on freight trips.

THE CHAIRMAN: At least once a day in connection with the passenger services, and that serves the trains both east and west?

LIEUT. COL. FULL: At the present time it serves the train from Summerside and Charlottetown, but does not serve anything east of Charlottetown or west of Summerside; that is, it just serves approximately half of the province. People living west of Summerside or east of Charlottetown have to go into those two points and stay over night and make the connection to get away. That is over eight months of the year.

THE CHAIRMAN: That is the train service on the island?

LIEUT. COL. FULL: The train service on the island.

THE CHAIRMAN: But then on the ferry service, take the one daily trip in winter which connects with trains both eastbound and westbound.

LIEUT. COL. FULL: Yes, the eastbound and westbound at Sackville.

THE CHAIRMAN: What train is it that you mean?

LIEUT. COL. FULL: The trains coming this way, the Ocean Limited leaving Montreal; that is the main passenger

train from Montreal, leaving there at night. A person coming from Montreal has to take the Maritime Express, which is a train that leaves at noon, whereas the passengers carried by the C.N.R. practically all use the Ocean Limited, which is the principal passenger train coming to the Maritimes. On the other hand, the train from New England, where there is a large share of former Islanders, there is no connection. You arrive in Moncton at 3.30 in the afternoon, four hours after the train has left, and you stay in the hotel for twenty hours.

THE CHAIRMAN: What do you suggest?

LIEUT. COL. FULL: I might go on a little further, sir, and I think you will understand the point.

COMMISSIONER SIROIS: Have you any idea of the actual cost of the service?

LIEUT. COL. FULL: No, sir, I have not figured it out.

"The fact that this was partially recognized at the time of the Duncan Commission when this afternoon service was continued to the 2nd of January in each year supports our point. With the onslaught of the depression however, this service was again curtailed. The difficulty is that the Federal Government has turned over its obligation in this matter to the Railway Company which is not fulfilling the agreement. The reason given for this is that the cost is such that the Railway does not feel justified in carrying out the agreement in full. The maintenance of this service is a direct obligation of the Dominion in a written contract, and is not dependent on the profit or loss shown by the Railway Company.

We are at present enjoying an Air Service on the Charlottetown-Summerside-Moncton Route operated

"by Canadian Airways Limited. This Company has provided us with good equipment and a personell whose dependability and skill is unsurpassed. As we understand that the present contract with this Company expires within the next year we wish to point out to you the absolute necessity of this service being maintained and continued on the same general basis as now operated, with necessary improvements."

THE CHAIRMAN: Is the air service operated in connection with the railway?

LIEUT. COL. FULL: The post office department have subsidized it.

THE CHAIRMAN: But I mean do the planes come and go to meet those trains?

LIEUT. COL. FULL: Yes, it is practically a service in lieu. The Post Office Department, - the federal government, have issued the contract to bring 500 pounds of mail across each way per day, and then they have passengers as well.

THE CHAIRMAN: . . . The contract referred to is the contract of the Post Office Department?

LIEUT. COL. FULL: Yes, the contract with the Post Office Department. We are feeling a little bit nervous about it, Your Lordship, because this is the only piece of contract^{work} this company has in the east; everything else is in the northern end of the country. If we lose it, we will be still further cut off from the northern parts in the wintertime.

COMMISSIONER MacKAY: As long as that air service operates, does it make up for the difference?

LIEUT. COL. FULL: I do not think it would make up for the difference; but I might say that it is generally accepted

in the wintertime that the service is given in lieu. We cannot claim particularly any right to the service, but while we claim a right to one, they are giving us something a little more economical in lieu. We do not feel that we want to lose what we believe is our right, and what the Duncan Commission recommended as our right, but under economic stress, perhaps, a cheaper service has been accepted, at least by the larger portion of the people.

THE CHAIRMAN: It is a much more speedy service. What is the time from here to Moncton?

LIEUT. COL. FULL: An hour. You save five or six hours if you go by plane, against the afternoon service in the summertime, you save quite a little time now in the morning. The plane leaves here normally at 12.30, and the train connection is at 7.30, so that you save five hours in Charlottetown if you want to go by plane.

THE CHAIRMAN: Would you rather have the plane than the extra ferry?

LIEUT. COL. FULL: I think the Board of Trade would prefer not to commit itself on that question.

THE CHAIRMAN: That is an answer in itself.

(Page 4340 follows.)

LIEUTENANT COLONEL G. FULL: I will return to the reading of the Brief:

"We have also another transportation advantage about which we are not forgetting. Since the sitting here of the Duncan Commission, the Dominion Government have provided, on the Borden-Tormentine Route the service of the S. S. Charlottetown a car ferry of luxurious appointments which is equipped for a much more convenient handling of automobile traffic than was the boat that was formerly in operation on that route. With the increasing automobile traffic, however, the services of this boat are being continually taxed to capacity and unless something is done to relieve the situation, our prospects for a share in the growing tourist traffic are very poor."

It has been whispered in my ear since this Brief was prepared that the boat which you saw tied up to the wharf as you came across on the ferry is to be re-fitted. Sometimes one wonders why it is possible to get money for certain things which cost a lot of money, while more economical systems are ignored. After this boat is refitted, it will take a staff of about seventy to operate it, whereas as a small, new boat which would carry automobiles only would solve the problem with a much lower expenditure. However, the railway prefers to do it this way, and that is the way it will be done. This has been made known to me since our Brief was prepared. Now, we come to the next paragraph:

"The normal competition with inter-provincial Bus and Truck traffic which has forced the Railway in other parts of Canada to provide an up to date

"service is also denied to Prince Edward Island. The only possible connection at present with the mainland for such traffic is that between Borden and Tormentine where the rates charged by the Railway are so prohibitive that this traffic is completely strangled."

The Commission might be amused by the recital of an incident which took place during the trial shipment of some eggs either last year or the year before. These eggs were shipped by truck from a point near Kensington, Prince Edward Island, to St. John. After the trial shipments had ended the railway sat down to figure out what had been received for taking that truck by boat from Tormentine to Borden. It was found that they had received more money than would have been received if the eggs had been loaded at Kensington and sent by freight to St. John.

THE CHAIRMAN: Is it because of the difference in rate between long and short hauls or is it because they have just put up the rates for taking trucks across on the ferry?

LT. COL. FULL: I think it is because they wish to maintain their monopoly of this traffic.

COMMISSIONER DAFOE: You cannot run a truck from Prince Edward Island to the mainland economically?

LT. COL. FULL:: What we believe is that there are a number of important small dealers on this side, as well as on the mainland who would offer a market for our farmers. These dealers would take loads of eggs, livestock for the butcher or mixed produce.

THE CHAIRMAN: What do the railway authorities say when you discuss this matter with them?

LT. COL. FULL: They say, "We want the traffic."

COMMISSIONER MacKAY: Were the eggs still good when they arrived?

LT. COL. FULL: I think they were good, but it amused me very much to think that the railway received more for moving a truck nine miles, than would have been received if the eggs had been moved 200 miles. The railway has tightened its hold upon the freight traffic.

COMMISSIONER DAFOE: The railway does not want truck competition?

LT. COL. FULL: It is hardly fair to those engaged in business.

COMMISSIONER DAFOE: This happens to be a place where they can prevent truck competition. On the mainland, they cannot prevent it, although I think they would like to.

LT. COL. FULL: In the next paragraph we state:

"With regard to ocean going traffic, the position of this province is even less advantageous. Of all the Maritime Provinces Prince Edward Island is the only one whose ports the federal government has consistently seen fit to neglect. The harbour and docking facilities at Charlottetown, for example, are fit only for coastwise shipping and the few ocean going tourist and cargo boats of even the most moderate size which have attempted to call here have experienced the greatest of difficulty.

A survey of Charlottetown Harbour was begun in 1935 and completed in 1937 but to date the necessary docking facilities for the larger class of vessels have not been provided."

Might I just cite an example of this: There are a

number of requests received by the Lloyds agent here as to the possibility of some summer cruises landing here. In answer to these inquiries, it is necessary to say that the boat can come in, but there is no place for it to tie up. Only the other day, I was in conference with a group of potato dealers considering the question of the South American trade which has recently developed for Canadian seed potatoes. The question was asked whether it would be possible to bring a steamer the size of which is necessary to go to the Argentine, into this port and load it. The reply was, "No."

THE CHAIRMAN: How many feet would such a boat draw?

LT. COL. FULL: I think, about twenty-five, but the important question is the length. We have no docking facilities for such a boat. Take the Canadian National Steamships boat, "Chumley" which brings molasses here. It is not a large boat, just an ordinary freighter, yet we experience great difficulty in getting it unloaded. It extends across the end of three wharfs .

COMMISSIONER DAFOE: What happens to the freight which leaves Prince Edward Island for points outside of Canada, potatoes, and so forth, how do they leave the island? Are they shipped from here and transhipped at some other point?

LT. COL. FULL: We can handle the small cargo vessel, such as the size which takes the potatoes.

COMMISSIONER DAFOE: Vessels which can go to sea?

LT. COL. FULL: They can make New York and they can go as far as Norfolk, Virginia.

THE CHAIRMAN: What is the depth of the water in your harbour.

LT. COL. FULL: I think Mr. Hyndman could give you

that information.

MR. HYNDMAN: There is plenty of water for a large vessel, it is only a matter of docking facilities.

THE CHAIRMAN: Would any dredging be required?

MR. HYNDMAN: No, not to any extent.

THE CHAIRMAN: Judging from the submission of the City of Halifax to this Commission, these docks cost a good deal of money. The question is, what return or convenience would be provided to justify such an expenditure? I am sure that none of you here would want the Dominion or any other body to make a large expenditure where the return would be wholly inadequate, having regard to the convenience rendered.

MR. HYNDMAN: We had a conference last fall with the Harbour Board and an engineering firm submitted an estimate at that time, that the necessary docks could be supplied for approximately three-quarters of a million dollars. This is an insignificant amount compared with the expenditure at Halifax.

THE CHAIRMAN: How many vessels would normally come to this port within a year; how many of these boats which you cannot accommodate would desire to dock here?

MR. HYNDMAN: During the past few years, the vessels which have shown the keenest desire to come to Charlottetown have been vessels of fifteen or twenty thousand tons. These vessels go away North, to Quebec and up the Saguenay. They desire to come to Prince Edward Island, but we can not accommodate them. There is plenty of water here, but if we dredged it deep enough to give docking facilities to all of these vessels desiring to come here, our docks would fall into the water. I think we would like the Commission to give careful consideration to the recommendation which

the Board of Trade makes.

THE CHAIRMAN: Are these docks publicly owned or privately owned?

LT. COL. FULL: One belongs to the Department of Public Works and the railway combined, the other belongs to the Marine Department and the rest are privately owned.

THE CHAIRMAN: The Halifax Board of Trade made representation to this Commission that the Halifax Government dock has destroyed the private ones. Permission to tax these docks was asked for, private property had been taken and this property is not subject to taxation now. In Halifax it was thought that the docking facilities they acquired were not adequate recompense for the damage which had been suffered.

COMMISSIONER DAFOE: I suppose you would take a chance on that?

LT. COL. FULL: We would, sir. I was once asked if I knew the thirteenth beatitude, and I replied that I did not. I was informed that it was, "Blessed are they who kick, they get what they want."

THE CHAIRMAN: I suppose one might say you are learning to practise it.

LT. COL. FULL: Continuing with the Brief:

"In a few words, then, the real explanation of the decline in welfare in Prince Edward Island is to be found in the gradual decline in our export markets, and the corresponding increase in domestic markets made difficult to us because of transportation costs."

THE CHAIRMAN: What is the reason for that?

LT. COL. FULL: One of the reasons is that the railway has the traffic tied up. For instance, we had a

low rate on potatoes to Toronto, what was called a "water potato rate". What amused us, was the fact that New Brunswick was also given the benefit of this rate although it is inland. Then the minute they saw our potatoes did not come into competition with water borne potatoes in Toronto, they jumped the rate from thirty cents to thirty-eight cents per hundred pounds. If the railway wants traffic at thirty cents, it ought to be able to continue to do it for that rate. It must have wanted the traffic at that rate, so why raise the rate?

THE CHAIRMAN: It may have wanted to reduce its loss.

LT. COL. FULL: Returning to the Brief:

"The difficulty is illustrated by the fact that, while water transportation is available to us during the summer months the Railway provides special competitive rates. When water transportation is closed to us, however, during the winter months, the Rail rates take an immediate jump of approximately twenty-five per cent over those provided during the summer."

A concrete example of these difficulties is to be seen in the present potato situation. The Toronto market is offering approximately eighty-five cents for a ninety pound bag of potatoes ($1\frac{1}{2}$ bushels), but the cost of landing them at that market is forty-two cents, giving a net return to the Prince Edward Island shipper of only about twenty-five cents a bushel. The return to the farmer is even less, due to handling costs."

Because of the heavy fixed charges, small decreases in price in the consuming centres are

"greatly magnified in terms of the return to the farmer. For example, when Toronto pays eighty-five cents for a ninety pound bag of potatoes, the Prince Edward Island farmer gets twenty-two cents per bushel. When the Toronto price drops ten per cent, however, the full amount of the decrease falls on the Prince Edward Island farmer who then gets but seventeen and one-half cents per bushel, which represents a decrease of 20.45 per cent."

The example we use here, is potatoes. A ten per cent drop in price in Toronto is a twenty per cent drop here.

THE CHAIRMAN: You do get more than that for your potatoes in Ontario, do you not?

LT. COL. FULL: Sometimes.

THE CHAIRMAN: It seems to me, as a consumer, I have heard of more being paid for P.E.I. potatoes than the prices quoted.

LT. COL. FULL: We receive more for them if New York is buying them, but when Toronto alone buys them, we do not receive much. Continuing with the Brief, we wish to say:

"In addition, the incidence of the tariff on the cost of goods purchased in Prince Edward Island has been heavy. We are not prepared, however, to dispute the wisdom, from a National point of view, of the policy which has been adopted, resulting in concentration of industry in the central provinces. Nor do we feel that a proposal for a regional tariff is within the realm of practical consideration, as this might tend to act as a disrupting factor, whereas we believe that a strengthening rather than a weakening of National bonds is needed at this time."

COMMISSIONER MacKAY: You mention the incidence of the tariff on the costs of goods purchased, has any statistical study been made on that particular phase of the matter?

LT. COL. FULL: I do not think so. Perhaps the government has, has it Mr. Campbell? I am informed that the government has made such a study. So far as the Board of Trade is concerned, the feeling is that the goods which we buy cost us a little more. However, as a Board of Trade, we are not condemning it as a matter of national policy. We do feel, that we are suffering a fairly heavy penalty because of our distance from the market. We also suffer because of the fact Ontario and Quebec are both spending large sums for the encouragement of the use of their own products. In Quebec, there is the Cooperative Federation supported by the provincial government for the marketing of Quebec potatoes in the City of Montreal. Ontario also has a couple of men who are supported by the provincial government and who market Ontario potatoes in Toronto.

THE CHAIRMAN: Your potatoes are still at a premium in Toronto, are they not?

LT. COL. FULL: If they were not, they would not be there at all. Ontario potatoes are selling at sixty to sixty-five cents a bag as against our eighty-five cents. You take the cost of forty-two cents a bag away from sixty-five cents a bag and there would not be very much left; practically nothing. I continue with our recommendations:

RECOMMENDATION

"We do feel that we should share more equitably in the benefits which have accrued to the country as a whole from the Dominion fiscal policy,

"as it is undoubtedly reacting to our detriment. Some of the hardships that have been suffered should be alleviated by the federal government providing sufficient assistance in transportation costs so that our farmers and fishermen may compete on an equal footing in the great domestic markets that have been built up through the development of industry in the central provinces.

In the foregoing remarks we have attempted to set out for your information a short resume of the state of affairs in this province sixty-four years after having entered Confederation, together with certain contributory factors. We have done this in order that you may have a background for the discussion of the distribution of powers between the Dominion and the provinces which we now take up."

Now, under the heading of Administration of Social Services.

THE ADMINISTRATION OF SOCIAL SERVICES

"Under this heading we include Unemployment Relief, Old Age Pensions, Mothers' Allowances, Workmen's Compensation and Per Diem Hospitalization. These services as you know are at present administered by the provinces who receive certain financial assistance from the federal government. The benefits which the people of the various provinces have received from these services have varied greatly, depending to some extent on the wealth of the province and to a further extent on the willingness of the province to incur heavy indebtedness, leading in some cases to the brink of bankruptcy. By

"frugal spending and determination to remain solvent, Prince Edward Island has denied itself many of the social services enjoyed in other parts of Canada. We believe that the individual resident of Prince Edward Island receiving benefits from such services, receives the lowest contribution made to persons in the same circumstances throughout the whole of the Dominion. With regard to direct relief payments from the federal government to the end of the fiscal year 1936-37, Prince Edward Island received only seventy-five cents per capita as against \$7.45 for Ontario and \$24.75 for Saskatchewan. This makes possible the payment by our provincial government to destitute persons in the rural districts of only three dollars per month."

THE CHAIRMAN: Do you not think in a matter of this kind, that the number of persons on relief would be one of the determining factors? Another factor, of course, would be the scale of relief provided. I should think one of the great differences between Prince Edward Island and Ontario and Saskatchewan would be that Prince Edward Island would not have nearly as many, relatively, out of work as an industrial province. During this depression, there have been tens of thousands who could not get work in the various industrial provinces. So far as Saskatchewan is concerned, the drought areas would be a large factor in determining the amount of assistance given to that province. It does not appear to me that a comparison of these figures would help very much in establishing your position.

LT. COL. FULL: I quite agree with you on that state-

ment, but the question, as we see it, is that the contributions are based upon what the province is willing to pay or what the city is willing to pay. This province has no revenue, as you will find when you delve into the question of the provincial government's revenue. Our contention is that putting the Dominion contribution on the basis of what the province is willing to spend is unfair. We are all taxpayers to Ottawa. We all pay our sales taxes, our inland revenue taxes, and, those who are in that category, pay their income taxes. We are all tax contributors. We contend, in the phraseology which I have here, "That like need should receive like treatment from the Dominion government." We are not getting it.

THE CHAIRMAN: Isn't the amount received as relief fixed by the provincial government and the municipality?

LT. COL. FULL: If you will allow me to continue a little further, I think, the matter will clarify itself. Continuing with the Brief:

"With regard to the urban districts, the problem in the city of Charlottetown has reached the point where it is beyond the capacity of the city to deal with. With the normal population of around 11,000 or 12,000 expanded within the last few years to between 14,000 and 15,000, and with no corresponding expansion in industrial activity, the city of Charlottetown is forced to provide direct relief to approximately 600 families, amounting in all to about 3,000 persons. The total direct relief provided for these people during 1937 was \$53,464.38. This works out to approximately \$2.97 per person per month or about \$14.85 per family per month over

"a six months period during which relief is provided. We invite you to compare these figures with those applicable to other districts. Of this amount, meagre though it was, the city was forced to pay 61 per cent while other Canadian cities pay on an average 33.3 per cent of their relief costs and some, such as Hull, Quebec, paid only 14.7 for the year 1935."

His worship, the mayor of Charlottetown, found himself in difficulties last year. He pleaded with the city council, almost on his knees, in an attempt to get more money. He could not approach Ottawa, so he approached the provincial government. The provincial government told him that they were hard up, that they did not have the money. He managed to get \$21,000 against a total expenditure of \$23,000. It was a generally accepted principle that relief was on the basis of thirds, one-third contributed by the city, one third by the province and one-third by the Dominion. Last year, the city of Charlottetown was forced to pay 61 per cent of the relief bill.

COMMISSIONER DAFOE: The Dominion met the province's contribution and you were forced to put up the rest?

LT. COL. FULL: Yes, and we had to go into debt for it. After the interest on the debt, the cost of education, and the normal services of the city are taken into consideration, there is practically nothing left. I think even the Board of Trade is beginning to get very restless over the state of the city's finances. We contend that it is absolutely unfair that the city of Charlottetown should have to pay 61 per cent of its direct relief bill. There is a school right across the road from here and it

would not be hard to go there and find children who have had no breakfast. It was necessary to provide milk for these children. This city handles its relief problem by distributing a certain amount of food at the beginning of each month. Flour, molasses, and meat as well as other foodstuffs are delivered to these families at the beginning of each month. It is done in this manner in an attempt to keep the cost down, yet we cannot seem to get the help to which we are entitled.

COMMISSIONER DAFOE: This is the outcome of a principle to which the Dominion government has rigidly adhered. The Dominion government says it is primarily a municipal function to administer relief. When the burden becomes too heavy for the municipality, then it devolves upon the province and when it becomes too heavy for both, the Dominion assists them as an act of grace.

LT. COL. FULL: The city of Charlottetown certainly does feel the burden of this surplus population; these people who are driving in from the country and swelling the population. In the provincial legislature, the city of Charlottetown has two members; the city has only one-fifteenth of the membership in the government, but it has one-sixth of the total population. The rural districts are sending trucks which pick up whole families and bring them into the city. These families are given enough to pay one month's rent and are told to go into the city of Charlottetown where they will be well treated.

THE CHAIRMAN: We had that question in Winnipeg--

COMMISSIONER DAFOE: And Regina.

THE CHAIRMAN: Yes, it is, as they say in the streets, "passing the buck".

LT. COL. FULL: It is an awkward situation because there is no work for the people who are here, without bringing any more in. This city is simply the administrative centre for an agricultural district.

COMMISSIONER DAFOE: These men who come in from the country, are they farm labourers?

LT. COL. FULL: Some of them are farm labourers and others are those who have not made a success of their farms because of poor soil or heavy overhead expenses.

THE CHAIRMAN: Have you any regulation in this city requiring a certain period of residence to entitle a person to receive relief?

LT. COL. FULL: The city has been trying to work on the basis of requiring a two-year's period of residence, but it is quite difficult.

Briefly, that is the situation of the unemployed in Prince Edward Island. It is felt throughout this province that we are entitled to some aid, Mr. Chairman. Take, for instance, the position of cities in other provinces. The city of Charlottetown gives approximately \$14 per month per family, while in other cities families get from \$20 to \$25, of which the Dominion government pays its share.

THE CHAIRMAN: I think, in Nova Scotia, we were told the maximum had been fixed at \$20.

COMMISSIONER MacKAY: If you increase the rate of payment in the city of Charlottetown, you would probably have a further increase in your population.

LT. COL. FULL: The unfortunate part of it is that the city of Charlottetown is practically the only place which gives relief in this province.

THE CHAIRMAN: It was pointed out to us in Manitoba that the cost of relief was much lower in rural sections than in the cities and towns. For this reason, it would be in the public interest, for those who live in the country to be given relief and continue to reside in the country. In this way, it would be possible for them to obtain a better living at a lower rate than if they moved into the city.

LT. COL. FULL: I think that is quite correct. If a person in the country wants some fuel, there is usually some wood available to that person. Milk is also available, usually, by doing a little work for some farmer. It is possible for a rural dweller to maintain himself more economically than a city dweller. It would be possible for the provincial government to support these destitute persons in rural sections for \$3 per person per family per month.

THE CHAIRMAN: Perhaps if the province increased the amount of relief in the country it would not have so many people coming to the city of Charlottetown.

LT. COL. FULL: I am quite sure we would not. I have some interesting figures here, but I would like to ask the local press to disregard them, as they might raise some trouble in the province if they were known. I have in mind, an extract from the yearly report contained in the Labour Gazette of November, 1937. From this I have tabulated certain figures and they are interesting to me as an example of the economic frugality of Prince Edward Island. We have in this province 63.30 per cent of persons over thirty years of age. This is the highest percentage in Canada.

THE CHAIRMAN: They live longer here?

LT. COL. FULL: They live longer, yes. We have thirty per cent of the people receiving old age pensions. The payments per month for Prince Edward Island average approximately \$10.63 as against the Dominion average of almost \$18.00, it is not quite \$18. I find that we are pay ng \$244,000 for old age pensions and under the Act which is now in force at Ottawa, we could raise our payments to the same standard as the other parts of Canada. If we did raise them to the full extent which the law permits, we would be paying out in old age pensions \$640,000. Under the statute now laid down in Ottawa, we could jump our payments from \$244,000.00 to \$640,000. If this were done, it would mean an increased expenditure for the province of \$100,000.00, but the provincial government has not got \$100,000.00. However, if the provincial government could increase its expenditure by \$100,000.00, the Dominion government would be forced to pay to us \$300,000.00 more than it does at present for its share of the old age pensions fund.

THE CHAIRMAN: What is the condition upon which an old age pension is granted in this province?

LT. COL. FULL: Destitution, a person must have no other means. An old age pensioner must have absolutely no other means and a cash reserve not over \$150.00.

COMMISSIONER DAFOE: Who makes the decisions in this matter?

LT. COL. FULL: It is administered by the provincial government, an old age pension commission of three as well as a small staff. If a person has any cash reserve at all, that person is not eligible for an old age pension. If a person has shelter, so much is taken off the fifteen dollars for shelter. If a person has shelter and a cow,

so much more is taken off that fifteen dollars for the cow. The recipient is allowed to have no income whatever, whereas I understand the Act allows \$360.00 a year maximum income and anything under \$360.00 a year can be supplemented by old age pension.

THE CHAIRMAN: I thought the maximum was set as \$240.00 a year.

LT. COL. FULL: But they can have a private income of \$360.00 a year.

THE CHAIRMAN: No, I understand anything in excess of \$125.00 must be deducted from the \$240.00.

LT. COL. FULL: It is necessary for a person to have \$360.00; a person could have \$359.00 and get \$1.00 on that proposition. As we say in our brief;

"This deplorable state of affairs is not due to the fact that the city officials have not attempted to obtain more equitable treatment by the Dominion. Our mayor has been forced practically to beg on his knees for the unjustly small amount of assistance that has been provided.

Unemployment relief however, is not the only point of difficulty. The analysis of the payment for Old Age Pensions for Canada for the year ending December 31, 1936, reveals the fact that the average recipient of such a pension in Prince Edward Island received only \$122.17, whereas the average recipient throughout the Dominion as a whole received \$194.07 and the average recipient in the Prairie Provinces received \$206.33.

In addition to the inequalities and hardships suffered by our people in the administration of Unemployment Relief and Old Age Pensions, our work-

"men are denied compensation for injury such as is provided in other provinces, and our mothers have never had the advantage of Mothers' Allowances.

A system of administration that permits such inequalities among the people of Canada is not to be tolerated. As contributors by taxation to the Dominion government, we feel that every Canadian citizen of like need should receive the same treatment from the Dominion government irrespective of the financial ability of the provincial or municipal governments to make adequate provision, and that contributions should not be based on municipal or provincial payments. We therefore recommend that unemployment relief and old age pensions should be recognized as National problems and administered by the federal government in the interests of the nation as a whole. We believe that this will have a two-fold effect.

- (a) Individual citizens throughout Canada who are depending on these services will receive fair and equal treatment.
- (b) The cost of administration of these services to the country as a whole will be materially lessened.

We believe that if the Dominion would adopt the policy of administering these services on the basis of a compromise between the frugality of Prince Edward Island on the one hand and the prodigality of some other provinces on the other hand, the net result would be a substantial saving to the country as a whole."

THE CHAIRMAN: How do you propose that this should be done? You come to that later on, do you?

LT. COL. FULL: No, I do not think so.

THE CHAIRMAN: How would you work it out?

LT. COL. FULL: Work it out on a fair schedule applicable to the whole of Canada. We do not believe it is a fair basis to put it on --to say that the Dominion government will pay \$20.00 if the provincial government will pay \$5.00. If the provincial government cannot provide the five dollars, then nothing is paid. The Dominion should provide the fifteen or twenty dollars irrespective of what the province does.

COMMISSIONER DAFOE: That would involve a change in the basis of Confederation. These social services are essentially a provincial responsibility. You would set up minima standards for the whole of the Dominion?

LT. COL. FULL: Consider the plight of a man in this province who is seventy years of age. He has a house from which he receives some rent. However, he cannot work and he has no other income in the world. This man will get about \$12.00 a month as a maximum. In any other part of Canada he would receive approximately \$20.00 a month.

COMMISSIONER MacKAY: Twelve dollars here may go very much further than twenty dollars in Montreal or Toronto.

LT. COL. FULL: Oh, I admit that. I am not attempting to compare a city against a situation such as we would have.

COMMISSIONER MacKAY: You think there should be a minimum for rural old age pensioners and a minimum for urban old age pensioners?

LT. COL. FULL: I think, as we state in our Brief,

"Like need should receive like treatment from the Dominion government".

COMMISSIONER DAFOE: The inference of your argument, I take it, is that the Dominion should pay for the whole service. If a province informs the Dominion that it cannot pay anything, then the Dominion must pay the "whole shot". Your argument is that these services should be taken over by the Dominion.

LT. COL. FULL: Well, I suppose it would amount to that.

THE CHAIRMAN: Now, this brings up the question of administration--we have had this question brought up elsewhere. Do you think that the Dominion could administer these services as economically as the municipality and the province.

LT. COL. FULL: I was just looking at these two figures which might answer this point. From this return of the Department of Labour, the total as I make it up of old age pensions contributed by the Dominion and the provincial governments is approximately \$39,000,000. There are 171,000 pensioners. If this were put on the basis of Prince Edward Island's contribution, there would be a saving of \$18,000,000. We do feel the need of assistance, but, but we cannot give it because of the lack of provincial revenue. We do not feel that we should plunge ourselves head over heels in debt. However, we do feel we should receive equal treatment.

COMMISSIONER SIROIS: I think you have overlooked some of the things on the preceeding page. You have workmen's compensation and mothers' allowances listed there.

THE CHAIRMAN: I suppose you have relatively few industries which would come under workmen's compensation.

LT. COL. FULL: Very few, there is probably one or two in the city. There are a few others which employ temporary employees.

THE CHAIRMAN: The basis of the workmen's compensation Act in other provinces requires the employer to make the whole contribution. It does not cost the province anything. There might be some slight administrative expenses, I don't know about that, though. I presume the reason you do not have workmen's compensation is because you feel it is something you would not like to impose upon the employers. It is not a service to which either the Dominion or the province makes a direct contribution. At least, that is my understanding of the arrangement.

LT. COL. FULL: As a matter of fact, I have never gone into the question.

THE CHAIRMAN: As a general consideration, workmen's compensation is compensation received for an accident or injury. The employer makes an annual contribution from his payroll to a fund administered by the Workmen's Compensation Board. The employees receive the benefits of this fund, but I do not think there is any contribution to it by either the Dominion or the provincial government. There may be, but I do not think so.

LT. COL. FULL: I return now to the Brief:

"We believe, in addition--and recommend--that if the Federal Government, in connection with the taking over of these services cancels loans made to certain provinces for the administration of these

"services in the past the arrangement should be such that all provinces should be treated on an equal basis."

This is a measure which has received careful consideration. We believe that the member of the family who has been thrifty should receive equal treatment with the one who has been a spendthrift.

THE CHAIRMAN: There is a difference between a spendthrift and a disastrous fate.

LT. COL. FULL: Granted.

THE CHAIRMAN: Take Saskatchewan as an example. You would not say that a condition arising out of a drought and continued low prices was the result of a spendthrift's actions.

LT. COL. FULL: We have all had our problems, and we have all had to solve the question of continuing these services out of the existing income of the province. The Saskatchewan drought relief is one type of problem, and the general question of unemployment relief is another type of problem which, I believe, should be considered on an equal basis. Continuing with the Brief:

"In addition, it is our sincere belief that, had there been some form of proper control over provincial borrowings in the past, many of the financial difficulties that have made your Commission necessary might never have arisen. Consequently, we wish to recommend that some satisfactory form of Nation-wide Loan Council be instituted at the earliest opportunity in order that provincial and municipal borrowings may not again be allowed to get out of hand."

THE CHAIRMAN: There is a distinction between provincial and municipal borrowings. Provincial borrowings are entirely under the control of the provincial legislature. In some provinces there is direct control exercised by the provincial legislature over municipal borrowing. In Nova Scotia, this Commission was informed that no municipality outside the city of Halifax could borrow except with the approval of the minister which administered municipal affairs. He exercises a direct control over this matter. The city of Halifax cannot borrow without going to the provincial legislature for a special bill. I assume that the rural members of the legislature as well as the city members exercise some control over the borrowings of the city of Halifax. Now, it is a different thing when you come to a province. I would just like to get your view upon this question, do you think the same loan council should control municipal borrowing and provincial borrowing?

LT. COL. FULL: I am afraid, sir, we have not given it much thought from either of those points of view. I can, perhaps, only add the view that excess borrowing in any one part of the Dominion is detrimental to the other parts. It is this that we had in mind when we made this recommendation. It is a fact that excess borrowing in one part of the Dominion is detrimental to the other parts and we had in mind the setting up of a loan council somewhat similar to that of Australia.

COMMISSIONER SIROIS: I do not think it would be flexible enough insofar as municipalities are concerned.

LT. COL. FULL: We read the Montreal Star down here, and perhaps the city of Montreal would object to any control over its debts, I do not know about that, though.

I return now to the Brief:

"As in the case of the social services already dealt with we believe that any scheme for unemployment insurance should be national rather than provincial in scope. We wish to point out, however, that, if such a scheme be limited to industrial activities the Farmers and the Fishermen of Prince Edward Island will receive no benefit from it but at the same time this province will be contributing its full share of the Dominion contribution to the scheme. We therefore urge that the scheme, in order to serve the national interest, must be sufficiently broad to equalize conditions between industrial and non-industrial areas."

(Page 4365 follows)

COMMISSIONER DAFOE: Do you have group insurance in mind?

LT. COL. FULL : The matter has never been considered, Mr. Dafoe, of group insurance, but frankly, it is a desirable principle.

THE CHAIRMAN: Admitting the principle, how would you apply it?

LT. COL. FULL: I wonder if the Board could give me any help on that?

THE CHAIRMAN: It is much more difficult sometimes to apply principles than it is to lay them down.

LT. COL. FULL: You will notice, sir, we have not attempted anything beyond the principle. We are not conversant enough with it.

THE CHAIRMAN: What you say is perfectly true, unemployment insurance would not normally cover, I think, either agriculture or fisheries.

LT. COL. FULL: Yes.

THE CHAIRMAN: There are certain provinces which are predominantly agricultural and they would not benefit in the sense of their inhabitants coming under that scheme and yet they would be contributing to the general revenue of the Dominion. How are you going to balance it?

LT. COL. FULL: One way it can be balanced is, take the case of Prince Edward Island where we have no share in the Dominion's contributions to unemployment insurance, we could receive in return extra consideration through the question of unemployment relief.

THE CHAIRMAN: Does not this difficulty arise with any national policy. The moment you say it benefits one section more than it benefits another, which may be true, it is very difficult in a country with the diversified interests we have in Canada, that any one national policy

should operate equally upon all sections of the country. That does not apply to the provincial boundaries, it applies to different areas where different classes of products are grown. I am sure you agree that when you come to try to equalize the incidence of any of these problems you reach great difficulties.

LT. COL. FULL: I quite agree with that, sir.

In considering these comments on the Social Services we would ask you to remember that the suggestions have come not from the people of a wealthy province whose need for these services might be small, but from the people of a province in receipt of the lowest per capita income of any province in the Dominion.

THE CHAIRMAN: I wonder if the general average of wealth, though, is not about as high in this province of Prince Edward Island as in any section of Canada? You have not the extremes on the one side, I might say as far as there are extremes in Canada, of wealth or of poverty, but have you not got a general average of comfort here that would compare most favorably with any of the provinces of Canada? At least, looking over your countryside that is the impression it would leave in my mind.

LT. COL. FULL: Perhaps they have been kind enough, when you came here, to show you the best.

THE CHAIRMAN: That is what they say they do in Russia. I did not know they did it in Prince Edward Island.

LT. COL. FULL: These figures, frankly, rather surprised me when they came to light.

THE CHAIRMAN: I think the explanation of the income is in the passage I pointed out from the year book. Where Saskatchewan has had very high income, one knows that in recent years the average income has been very low, but it springs out of the fact that in estimating income they do

not take into account the produce grown and consumed on the farm. The farmer in Ontario or Quebec or Nova Scotia grows nearly everything he eats, except groceries. I submit there is, therefore, no real comparison between income on the land and income in the city where they get the full amount of the wages, or the income of an area like Saskatchewan where they grow wheat particularly or coarse grains and sell it and buy everything else. They are moving away from that a bit now but that unfortunately has been the case in the past, and they cannot wholly get away from it.

LT. COL. FULL: Your Lordship, we feel here that the cost of living in Prince Edward Island, except in the case of rents, is as high or higher than in the cities.

THE CHAIRMAN: I am speaking only of the difference of the basis upon which income is compared, including particularly in this province. The figures do not take into account that which is consumed on the farm and therefore any agricultural community in which there is mixed farming will show a relatively lower income than a community which sells its products and buys things in return.

LT. COL. FULL: As far as the general income of Prince Edward Island, the average small farmer in Prince Edward Island is having a great deal of difficulty to get along. I know it because I am dealing with them all the time. And where they have had to buy certain commercial fertilizers they have had great difficulty in putting up the cash for it in a great many cases. If a season comes along when the potato crop is poor they find it almost impossible to raise fifty to one hundred dollars out of the general farm revenue to pay that bill, which they depend upon that one crop to pay. There are lots of farms

in this province with a family of four or five that do not show \$400 a year cash income, lots of them. The cash income on the farm is very, very small in many cases.

THE CHAIRMAN: That is true here and in the agricultural areas in Ontario the same thing is true, the cash income is relatively small. During the period of low prices it is frequently very small indeed.

COMMISSIONER MacKAY: Has there been any study made of the debt situation on the farmers here?

LT. COL. FULL: Apparently not, but it is amazing the number of mortgages there are on the farms. I would not want to venture a figure because I do not know, but in my association with the farmers in the area in which I make my living, practically ever farmer has a mortgage. I think I am very safe in saying three out of four have a mortgage. It may be only \$500 or it may be the full value of 50% of the farm.

THE CHAIRMAN: What is the size of the average farm here? 100 acres?

LT. COL. FULL: About 100 acres, of which three quarters is tillable.

THE CHAIRMAN: And what would be the value of an average farm of 100 acres in that area?

LT. COL. FULL: You can buy land in this province, good land without buildings, as low as \$10 an acre. I would not want to say good land, but cleared land, on which the fertility is a bit drifted out, worn out, - about as low as \$10 an acre. A real good farm in a good district, with good buildings, will bring as high as \$50 an acre. You have got the two opposites there, it depends upon your district. A good dairy farm, in a good district, will bring \$50 an acre with buildings, whereas in the sandy districts, and districts in which the farms

have been a bit run out, you could buy lots of land for \$10 an acre.

THE CHAIRMAN: Without the buildings?

LT. COL. FUEL: Without the buildings. Well, with what buildings are there, which are not good; they are out of repair and would require a great deal of money to be spent on them.

With respect to the Income Tax, we believe, that, unpopular though it is, in the hands of the Dominion Government it is a very fair tax and valuable because of its very unpopularity in so far as it brings home to the taxpayer in no uncertain terms the cost of government. In the hands of the provinces, however, its workings result in a number of inequalities which we believe can only be remedied by the centralization of collection in the hands of the Dominion.

As we have already pointed out to you, Prince Edward Island is predominantly agricultural. As a consequence, the vast majority of goods and services offered for sale in our province are manufactured or originate in the Provinces of Ontario or Quebec, and in the price we pay for these goods and services there is included a generous allowance for profits, salaries, management, and central overhead. This includes not only merchandise, but banking, insurance, and other types of service. In this manner we are contributing to the large incomes which have tended to concentrate in the central sections of the country. The Commissioner of Federal Income Tax, has already explained to you that collections of Income Tax from the Province of Ontario represent

in part a collection of taxes earned in other parts of Canada, but payable in Ontario because the head offices of the large corporations are situated there. In so far as the taxes on those large incomes are collected by the Federal Government and spent throughout the whole of the territory from which the incomes have been derived, we have no complaint, as we believe this to be fair and equitable. In so far, however, as these taxes are collected by individual Provinces and used for the benefit of those provinces to the exclusion of the rest of the country, we submit that an injustice is being worked. In Prince Edward Island we have no large incomes earned in other parts of the country on which to levy an income tax, and at the same time, we are contributing heavily to those incomes on which taxes are levied in other provinces for the benefit of those provinces alone.

THE CHAIRMAN: Have you any income tax in this province?

LT. COL. FULL: Yes sir, going down to the lowest brackets imaginable. The exemptions are very, very small in the provincial income tax.

We, therefore, respectfully suggest that, in the interests of equity and fair play, all collections of income taxes should be made by the Federal Government. We believe that an equitable way of handling this item would be for the Federal Government to continue to collect its regular tax under the Income War Tax Act, and, in addition to collect a definite proportion, to be earmarked for distribution to the various provinces

on a per capita basis.

That is, we feel that principle would be fair to everybody. We have lots of banks here and branches of stores, like Eaton's, Canada Packers, chain shops, and practically everything we buy, insurance and services and most of the goods that we buy, come from central Canada and we pay the profits.

With regard to Succession Duties, we would point out that, under our present system of taxation not only are the two wealthiest provinces in the Dominion collecting large amounts in Succession Duties from the estates of wealthy residents, whose wealth has been built up by contributions to National organizations by residents of outlying provinces, but in addition these central provinces are exacting and collecting additional Succession Duties from the estates of residents of the smaller and less wealthy provinces, such as Prince Edward Island, due entirely to the legal technicality that the transfer agencies of the majority of Canadian corporations happen to be situated within these two wealthy provinces.

It is not even necessary that the head office or any of the tangible assets of the industry be situated in the province which is collecting such a tax. Take the case of a New Brunswick company or a Manitoba company with a transfer agency in Montreal in Quebec province. Upon the death of a resident of Prince Edward Island taking place his beneficiary must pay toll to the Province of Quebec upon the value of the shares of the New Brunswick or Manitoba company solely because the

shares of such stock are transferable in the province of Quebec. Assuming a Prince Edward Island resident who has succeeded in accumulating a fair sized estate which is invested in registered securities of Canadian corporations, then upon the death of such individual taking place the two wealthy provinces of Canada will collect substantial Succession Duties to the entire exclusion of the province in which the testator lived during his lifetime and accumulated his savings.

THE CHAIRMAN: Is that quite correct? "To the entire exclusion of the province"? In this province you collect Succession Duties from the estate but you may allow, as a matter of comity between the provinces, a deduction for Succession Duties paid elsewhere. I do not know just what your law is in that respect, but if a man is domiciled in this province under your Succession Duties Act would he not pay succession duties to this province?

MR. C.N. BISSETT, (Vice President, Charlottetown Board of Trade)

My Lord, he would pay nothing whatever if his entire estate was invested in stocks of Canadian corporations with head office in Quebec and Ontario. Let us assume that his estate entirely consisted of stocks of companies with head office in the Province of Quebec. The first thing the executor would have to do would be to file a return before he could clear those stocks or deal with them in any way and an allowance would be made for duties paid elsewhere, and if the entire estate consisted of assets in Quebec, duties were paid there, naturally there would be nothing whatever to come to Prince Edward Island.

COMMISSIONER GIROIS: The tax is paid according to the situs of the stock, not the domicile of the deceased?

MR.BISSETT: No, it is the situs of the particular asset. In fact, it is most annoying at the moment in the case of shares which are transferred in two or three different jurisdictions. A case came to my notice a short time ago of shares which were transferrable both in the Province of Manitoba and the Province of Quebec. The Province of Quebec in some way learned of certain shares which had situs in Manitoba and also a transfer office in Quebec, and although the estate had paid duties to Manitoba and had received succession duty waiver from the province of Manitoba, Quebec said "You must also pay duties to us by reason of the fact the transfer office is here, otherwise we will not clear any Quebec assets in that estate", which means they have got to pay to Manitoba and Quebec and Prince Edward Island gets nothing. They refuse to recognize the decision of the Quebec Supreme Court recently in regard to these shares that the situs^{is}/in Manitoba and not Quebec.

THE CHAIRMAN: Of course, you can hardly guard against Governments who refuse to regard the decision of the courts.

LT. COL. FULL: This next paragraph, as a matter of fact, is an actual case:

Not only does the situation above described actually exist but should a life long resident of Prince Edward Island die having an estate of approximately \$100,000 represented by investments in Canadian corporations of national scope yet with Transfer Agency in Quebec and should such individual leave his entire estate to charities within his province, the province of Quebec will impose a succession duty tax of upwards of \$23,000 upon these gifts which a resident of this Province

leaves to charities within his native province. The tax imposed in this case being at the highest bracket imposed upon an estate of such size and imposed purely upon technical grounds.

If the province of Quebec received the charities he would not be taxed, but the poor charities of Prince Edward Island had to pay a tax of twenty-three and a half per cent to the province of Quebec.

We say in the clause at the end:

The least that should be done to correct this injustice, is to work out some arrangement so that each province will receive the duties on its own estates.

If I remember right, your Lordship, the Provincial revenue from succession duties last year was fifty cents per capita.

THE CHAIRMAN: In this province?

LT. COL. FULL: In this province. And I think perhaps in Ontario it was something over five dollars.

THE CHAIRMAN: I think you should realize that revenues in Ontario from succession duties in the last year or two have been substantially augmented by collections which were said to have been in arrears for some years.

LT. COL. FULL: In conclusion,

In the foregoing remarks we have attempted to point out to you the following:

1. The lack of progress in Prince Edward Island since Confederation, due to
 - (a) Dominion Fiscal Policy
 - (b) High costs of transportation.
2. The inequality of the present system of administration of the social services.
3. The inequality of certain phases of the system

of taxation.

We have recommended to you an improved distribution of the benefits arising from the Fiscal Policy, together with an increased centralization of administrative functions.

We respectfully submit these suggestions for your careful consideration.

THE CHARLOTTETOWN BOARD OF TRADE.

THE CHAIRMAN: Have you any questions, Mr. Stewart?

MR. STEWART: There are just one or two points I would like to get a little more clearly. On page 3 of the brief, Col. Full, this claim or suggestion is made that the government is not giving continuous communication with the Inter-Colonial Railway and the railway system of the Dominion. The suggestion there is because they do not provide a morning and afternoon service?

LT. COL. FULL: Yes. Take for instance within the Maritime Provinces, there are two main services, one running through from Halifax to Montreal, called the Ocean Limited, and the other one called the Maritime Express Service. We are only connected with one service instead of both.

MR. STEWART: With one train both ways.

LT. COL. FULL: Yes.

MR. STEWART: Instead of two trains.

LT. COL. FULL: Yes.

MR. STEWART: That is the point, you construe continuous as meeting every through train.

LT. COL. FULL: The same service as Nova Scotia gets

MR. STEWART: Both those trains are of comparatively recent establishment, are they not? - The Ocean Limited certainly since 1900. That service is a comparatively new service.

LT. COL. FULL: Mr. Hyman, will you answer the question?

MR. STEWART: The Ocean Limited service commenced since 1900 sometime, did it not?

MR. HYMAN: Yes, away back. In connection with transportation, this is one of the most important matters. In our agreement with the Dominion in regard to our province we delayed entering Confederation from 1867 to 1873 for better terms and this was one of the main terms. The province being an island and isolated, transportation has always been our major problem, and the word "efficient" is probably the most important word in that agreement. Efficient does not mean what was efficient forty or fifty years ago, it means efficient today. And the word continuous is probably just as important and means continuous summer and winter, connecting with the mainland railways.

I would like to point out just at this stage that this service was guaranteed by the Dominion to Prince Edward Island. The charges are charged against the Dominion of Canada. The question was raised a little while ago with regard to what the cost would be for making the second trip. Prince Edward Island is not concerned with the cost of maintaining the service. That is a service that was guaranteed by the Dominion of Canada to Prince Edward Island, an efficient service, continuous winter and summer, connecting with the mainland railways. In our position we contend that this service has been handed over to the railway company, what might be looked upon as a sub-contractor. During the Duncan Commission, Sir Henry Thornton and other officials of the railway stated they were not concerned with the terms of Confederation, they were given a mandate to operate the railway but they were not concerned with the terms of Confederation. Therefore, we feel it is not fair to this province that our

transportation service, guaranteed under the terms of Confederation, should be handed over to the National railway, a sub-contractor, who are not concerned with the terms of Confederation. Further, we are at the mercy of the railway company. We have no competition with the Canadian Pacific Railway which other provinces of Canada enjoy, but we have contributed as a partner of Canada towards that great organization. And we are at the mercy of the Canadian National Railway who mete out the service they have today without regard to the terms of Confederation.

As related here a little earlier in the day we have no motor truck service. We cannot participate in that. To cross the connecting link with a motor truck one way, eight or nine miles, is a cost of \$10, for a empty truck. So we are debarred from that service.

THE CHAIRMAN: They have certainly given you a good hotel service.

MR. HYMAN: Yes, we certainly appreciate that, and we would like the opportunity to be able to develop our transportation so that we could make that hotel probably one of the most profitable in the Dominion. I believe it is, notwithstanding our obstacles, making a second place showing in hotels in Canada of the Canadian National. And we would like the opportunity of developing that further if we were given the free movement of passengers and freight which obtains in other provinces. We are entitled to the same service as any other part of Canada and we are not concerned with what it is going to cost. That was guaranteed to this province and we feel also that an efficient service should be given summer and winter, continuous, connected with the railways and that the National railway management should not have the final say

in regard to the service that this province is entitled to as a matter of cost. In the Duncan Commission it was there stated that the expense of operating the ferry should not appear in the National Railway accounts, it should be taken out, - it was put there it was argued to their prejudice, - and should be charged against the consolidated revenues of Canada through the Department of Railways. It took us considerable time to have that recommendation made. Another charge which we felt was very unfair was the extra charge for each automobile of \$7.00 return for that eight or nine miles. As a result of the recommendation of the Duncan Commission we had that changed from \$7.00 to \$3.00 return, \$2.00 one way. We feel there should be only a nominal charge, especially when the automobiles run on and off the ferry with their own power. Before with the old ferry you had to put the automobiles on flat cars and shunt them around, they took up the space of flat cars, but when the automobiles run on and off with their own power there should only be a nominal charge. They built a bridge in Montreal across the river that cost them eighteen or twenty million dollars and they charge a toll of twenty-five cents. We feel there should only be a checking charge on automobiles on and off the ferry. As it is now the service and development has got so that the car ferry cannot handle the traffic, and with the paved roads that have been completed and the national parks established in the Maritimes, there will probably be a hundred and one cars coming down. In the last two years there have been as many as thirty or forty cars held up waiting for another ferry. And the big problem in this little Province of Prince Edward Island, and one reason for our low returns in our farm products is on account of our transportation. I happened

to go before the Board of Railway Commissioners in the early days, just after the car ferry was established, we were trying to get our gauge widened, we had the narrow gauge railway in Prince Edward Island, I remember saying in those days we only realized 50% of the price of our farm products compared with the other provinces of Canada and I remember being checked by the Commissioners, being asked why that was so. They said "I thought your Province was honored in growing the finest produce in Canada, why cannot you secure greater returns?" I replied, "We cannot do it until we have the opportunity of transportation. We shove our farm produce in a barn and put it into boats and rush it out, and the other provinces can warehouse their products and ship them out during the winter and spring. And we were denied those opportunities".

I merely pass on those few remarks with regard to the importance of our transportation and why we should not be in the hands of the railway company which is not carrying out the terms of Confederation. And they so admitted before the Duncan Commission. I thank you.

MR.STEWART: The paragraph immediately following the terms of the order-in-council suggests the maintenance of the railway service is not dependent upon the profit or loss shown by the railway company. Is it suggested that the continuous and efficient service should be given at less than cost? Is that the suggestion that you make?

LT. COL. FULL: At the present time the car ferry is operated there by the railway on a mileage basis, it is the standard mileage rate for everything that goes over and the deficit accruing on the maintenance appears in both sides, and the maintenance of the ferry is charged up against the consolidated revenue of Canada.

MR.STEWART: But is it suggested by the Charlottetown

Board of Trade that the contract of 1873, what is referred to as the contract in the Order-in-council of 1873 promised efficient and continuous service without reference to the charges for that service, or that the service was to be given without considering whether it was to be given on a cost basis or not.

LT. COL. FULL: I think it is there, sir. I think the answer is there.

MR. STEWART: The Maritime Freight Rates Act is applicable to freight originating in Prince Edward Island, is it not?

LT. COL. FULL: Yes.

THE CHAIRMAN: Just while passing, do you know, Colonel, what amount the Dominion pays annually under that provision of the Maritimes Freight Rates Act?

LT. COL. FULL: For Prince Edward Island alone?

THE CHAIRMAN: No, I mean for the Maritime Provinces and how it is divided?

LT. COL. FULL: I have no idea how it is divided. Mr. Mutch, have you the amount paid by the Dominion under the Freight Rates Act?

MR. MUTCH: No, I cannot answer it offhand.

LT. COL. FALL: I think, my Lord, you will receive a special brief on that from the Transportation Committee of the Maritime Board of Trade. We recognize them as more or less an authority in the Maritimes.

THE CHAIRMAN: Thank you.

MR. STEWART: Turning to page 4, for a moment, Colonel Full, the third paragraph, where you suggest that during the summer months the railway provides competitive rates with steamship services, but that these rates are not available during the winter when the transportation by water is not available, that is true to all railway charges,

is it not? It applies generally to Nova Scotia, New Brunswick, Quebec, Lake transportation?

LT. COL. FULL: As far as I know it applies.
It is a principle of fighting for business and revenue.

MR. STEWART: It is not suggested by this Province there is any special application to Prince Edward Island?

LT. COL. FULL: The application is here, just how much it is elsewhere I am not prepared to say. We feel the effect of it.

THE CHAIRMAN: It is the local application of a general principle.

LT. COL. FULL: Perhaps you could put it that way, sir.

MR. STEWART: At the bottom of the following page the suggestion is made that unemployment relief, mothers' allowance, workmen's compensation, old age pensions and per diem hospitalization are administered by the provinces who receive financial assistance from the federal Government. I do not think that is the case with mothers' allowance, is it? That is purely a provincial activity.

LT. COL. FULL: That is a provincial service, as I understand it.

MR. STEWART: And workmen's compensation and per diem hospitalization?

LT. COL. FULL: Yes.

MR. STEWART: Those are all purely provincial now?

LT. COL. FULL: They are mentioned there because of the fact we have not got it.

MR. STEWART: But I do not think there is any Dominion contribution in any case to those services.

LT. COL. FULL: Not that I am aware of.

MR. STEWART: At the top of the following page there is a particular paragraph that I would like to get some further information on:

We believe that if the Dominion would adopt the policy of administering these services on the basis of a compromise between the frugality of Prince Edward Island on the one hand and the prodigality of some other provinces on the other hand, the net result would be a substantial saving to the country as a whole.

Has any specific study been made as a result of which you could indicate what you term the prodigality of the other provinces or is that just a general statement?

MR. R.L. COTTON: (Ex-President Board of Trade)

I would say it was more or less a general statement, but other provinces have carried on and maintained those services on a basis which Prince Edward Island felt it was not able to do. These other provinces have carried on those services on that basis and coming to the end of their own resources have had to apply to the federal power to carry them on and still carry on those services. Prince Edward Island in the carrying on of those services has to pay its own cost.

MR. STEWART: But as I understand it, Mothers' Allowance, Workmen's Compensation and hospitalization are not contributed to by the Dominion at all. That would only refer to unemployment relief and old age pensions?

MR. COTTON: No, I think it would apply to them all in the direct payments by the Dominion to the provinces to enable them to carry on and maintain those services.

MR. STEWART: I understand in all the provinces, however, workmen's compensation is assessed directly to the industry and even the administration is not a provincial expense. Therefore, am I to understand that the suggestion of prodigality refers particularly to the

mothers' allowance expenditures and the per diem hospitalization expenditures of the other provinces?

LT. COL. FULL: Not necessarily, because take the amount of money paid in old age pensions, the amount of money paid on relief there in comparison with what we have been able to pay here.

MR.STEWART: That suggestion of prodigality does not apply outside of the five services that you have specified at the top of the previous page?

LT. COL. FULL: There is the old Scotch economy and there is the other chap that spends quite a little. I would not want to say that the expenses of the other provinces as related to demand or other things have been as frugal as they are in Prince Edward Island.

MR.STEWART: What I am trying to get at is some basis on which we could reasonably charge the provinces with prodigality. I want to get the factual basis of the statement?

LT. COL. FULL: I think, Mr.Stewart, you will have the briefs and the witnesses of the other provinces and you can compare that with the province of Prince Edward Island and you will find the answer.

MR.STEWART: You have no further suggestion as to specific instances?

LT. COL. FULL: No.

MR.STEWART: In your following paragraph dealing with the Loan Council you say that if the federal government in connection with the taking over of the social services cancels loans made to certain provinces for the administration of these services all provinces should be treated on an equal basis. Do you mean by that equal as regards need or equal on a per capita basis?

MR.COTTON : I think on the basis of Canadian need. A Canadian living in one province should receive an equal federal payment and be treated on the same basis as a Canadian living in another province, and the provincial government can supplement that if it likes, but the Canadian living in one province should be treated on the same basis as the Canadian living in another province.

MR.STEWART: "On the same basis"? You mean by that an equal amount?

MR.COTTON: An equal amount, I would say. The Bureau of Statistics for instance shows the cost of living in Edmonton to be lower than in the city of Charlottetown, materially lower. I would say that the old person living in Charlottetown, as compared with the old person living in Edmonton, should receive from the federal treasury the same amount exactly as the one does in Edmonton. At the present time the old man living in Edmonton receives materially more from the federal treasury than that other man living in Charlottetown. If the Alberta government is in such a position that it can augment the payment by the federal treasury by an extra amount, all right, but the payment from the Dominion treasury to which both men contribute should be the same in each case.

MR.STEWART: Your suggestion as to national unemployment insurance is that farmers and fishermen of Prince Edward Island should be taken into account in the administration of an unemployment insurance policy. Would that be applicable if the unemployment insurance policy involved contribution on a contributory basis.

LT. COL. FULL: The contribution of farm labour or casual labour that goes to the lobster fisheries in the spring and farming in the summer and wherever he can

get a job in the winter, it is very difficult to collect from them.

MR.STEWART: Your suggestion would not apply if it were a scheme of unemployment insurance to which the Dominion Government did not contribute from the taxpayers' money as a whole.

LT. COL. FULL: No, if the Dominion Government do not contribute to an unemployment insurance scheme in any other province we have no say in it whatever.

MR.STEWART: With regard to the last paragraph on the same page you suggest that the Board of Trade favors an income tax on the basis that it brings home to the taxpayer the cost of Government. Your Board feels that it is desirable to make the public tax-conscious.

LT. COL. FULL: I think so. I think that is the attitude of the Board.

MR.STEWART: In that connection it might be of interest to know that figures were given to this Commission at Ottawa that the federal income tax reaches something like 2% of the total population of Canada. Perhaps you did not have that figure in mind when you were making this suggestion?

LT. COL. FULL: No, I do not think we knew it.

MR. STEWART: At the top of the next page, which is the second last page, the suggestion is made that the prices paid for goods brought into Prince Edward Island from other provinces include a generous allowance for profits, salaries, management and central overhead. I was wondering if there was any feeling here that Prince Edward Island was paying more than the price in other parts of Canada for such goods?

LT. COL. FULL: I do not know that there is any particular feeling beyond the incidence of volume.

MR.STEWART: And transportation costs?

LT. COL. FULL : Transportation and volume, in some cases.

MR.STEWART: I am asking whether there is any suggestion that apart from the transportation difficulty ---

LT. COL. FULL: Of undue profit-taking?

MR.STEWART: No, of discrimination?

LT. COL. FULL: I would not say so. It is a matter of trade and commerce, competition.

MR.STEWART: That is all, my Lord.

THE CHAIRMAN: Thank you. Would you prefer to wait until after lunch before starting the submission by the Province?

HON. MR. CAMPBELL: I think, my Lord, it would be more satisfactory. It is now ten minutes to one.

THE CHAIRMAN: Then we will adjourn until twenty minutes past two.

AFTERNOON SESSION

The Commission resumed at 2.20 p.m.

THE CHAIRMAN: We will now hear from the Premier of Prince Edward Island, Mr. Campbell.

HON. MR. CAMPBELL: Mr. Chairman, and members of the Royal Commission; I am afraid it would be rather impossible to attempt any classification or subdivision of the subjects which are comprised in the Brief of the Province of Prince Edward Island, but in the table of contents at the opening of the Brief it will be noted that possibly items numbers 2 and 3, and possibly, to some extent number 4 are in the nature of general, or introductory subjects; whereas the remainder, 5, 6, and 7, are in the nature of more detailed consideration and specific recommendations and proposals.

It is therefore suggested that numbers 2 and 3 of the table of contents should be dealt with first, and that I should proceed later to detailed consideration of numbers 5, 6, and 7. I therefore ask the permission of the Commission at this stage to introduce Mr. James E. Wells, one of the junior members of the bar of the province. I would ask him to present number 2, - the proposal to capitalize subsidies; conditional subventions; a suggestion concerning provincial debts, and involved in those subjects the proposal of grants, or subventions.

With Your Lordships permission, Mr. Wells.

MR. JAMES E. WELLS was called.

My Lord, and Gentlemen, you will find on page 2 of Prince Edward Island's case the proposal to capitalize subsidies. We have not dealt with this proposal in any great detail, nor do I intend to go into it at any length now. I believe this subject is already quite familiar to the members of the Commission, and I think, in effect,

any of our efforts on this particular proposal might be more in the nature^{of} "carrying coals to Newcastle". The main reason for it being here is that we may put ourselves on record as favouring such a plan. I will read from the Brief:

"The subsidy problem has been a vexatious one since Confederation, and has been a constant source of contention among the Provinces.

A plan has been proposed, which appears to us to have considerable merit and which, if adopted, would entirely abolish the present existing subsidies. As this plan is developed, it may appear superficially that it is of exceptional benefit to this Province. On any unbiased examination of the subject, however, it must become apparent that such is not the case. It is true that the debt of this Province is small in comparison with that of others. But this smallness must not be taken to mean that our financial needs are not great. Rather it is an indication that we have lagged behind in the development of many necessary public services. The people of this Province have a deep respect for financial integrity. They have demanded of successive governments that spending be commensurate with a sure ability to pay. During the last decade, however, taxes in both scope and rate have been extended as far as possible. Indeed, for a largely farming community, in some respects they have become too high. Any extension of public services would necessitate further borrowing, which in view of our lack of natural resources would endanger our provincial solvency. As a result, our people have been obliged to look on while other Provinces, more

"fortunately situated, or perhaps with a lesser degree of carefulness, have implemented many services equally necessary here, but which we felt we were unable to afford. We have seen other Provinces forge ahead of us in public welfare work, in health measures, in education. Their public servants have been adequately paid and their public works greatly improved. This is not possible in Prince Edward Island, unless what appears to us to be undue carelessness is exhibited towards future expenditures. This carelessness we have sought to avoid.

But we do not consider that we should be penalized for our frugality. Nor do we believe that, when our position has been examined by the other Provinces and by the Dominion, when they thoroughly understand and appreciate the extent to which expenditures have been curtailed to ensure sound financing, there will be any danger of discrimination.

We do not propose to examine at any length the weaknesses inherent in the present scheme of Federal assistance to the Provinces. These weaknesses have been recognized by eminent students of public finance in Canada, as well as by other Federal systems employing plans similar to the one followed in Canada. No doubt the many faults of the subsidy system are familiar to the members of this Commission.

We mention, therefore, only two of the many unfortunate features affecting the present method of uncontrolled subsidies which appear to us not to have received the consideration to which they are entitled.

"In the first place, any examination of past history shows only too clearly the bickering and provincial jealousy which has resulted from the problem. We venture to say that much of the unfortunate inter-provincial mistrust today is the result of dissatisfaction among the Provinces over the subsidy question, a dissatisfaction which originated in the days of Confederation in 1867, and continues right down to the present. There has always been that feeling of inequality, which has so often concluded the interprovincial discussions at all times, and which seems to have originated in the subsidy problem.

It seems very desirable, therefore, to remove this source of annoyance for all time from the field of Canadian politics. This we believe possible if the suggested plan is adopted.

In the second place, it will be noted that from the very first it was intended there should be no increase in the amount of subsidies. Yet increases have been periodically made, though at the time of some of them the adjectives "fixed" and "unalterable" were freely applied. Various reasons for the necessity of these increases have been given. We do not believe that sufficient compensating effect has been given to the constant decrease in the purchasing power of the dollar. At different times when this matter came up for discussion, this question does not seem to have been gone into as thoroughly as it might have been. Apart altogether from the question of new functions and increasing responsibilities falling upon Provincial governments, the amounts assigned at the time of Union would not

"now be sufficient to carry out the purposes for which they were intended, no doubt due to the fact the dollar would not buy what it once would. There is no reason to believe that this situation will not continue in the future. Consequently, the most careful plan for reallocation of functions, for division of revenue, for subsidy revision, which may be made at the present time, if it includes the payment of fixed amounts to Provincial governments for the carrying out of certain functions, is bound to fail. In other words, if we decide today a certain amount is needed for a certain function, in fifty years' time there is no guarantee that that will be satisfactory. Sometime in the future the dollar will not be capable of purchasing what it can today. As a result, a Provincial government will be obliged to secure revenue from other sources to carry out services which the subsidy alone was expected to cover. This will lead to financial difficulties and applications will be made for periodic increases in the subsidy. The old problem will begin again.

It is proposed, therefore, to capitalize the existing subsidies at three per cent and to abolish entirely the system of unconditional subsidies for the future, and capital amounts so arrived at to be applied to the reduction of provincial debts."

THE CHAIRMAN: Why do you say three per cent?

MR. WELLS: That seems to be a more practical suggestion which the provinces might agree to.

THE CHAIRMAN: The Dominion could not borrow the money at that figure.

MR. WELLS: One probably could not get the provinces

to agree to any higher capitalization. We may as well be practical in our suggestion. It is questionable whether they would agree to capitalization at a higher percentage, say four per cent. We have suggested that chiefly because we feel that the provinces might agree to that figure, whereas they might not agree to any other.

THE CHAIRMAN: You say to capitalize the existing subsidies at three per cent, which in itself is a subsidy, having regard to the present low rates of interest.

MR. WELLS: The Dominion would be paying about 3½ per cent probably.

THE CHAIRMAN: When the last loan was floated I think it was a little more than that.

MR. WELLS: The point that I am trying to make is this: supposing you did have to make some concession in order to get them to agree to it, it might be desirable to do that. If you capitalize at 4.15 per cent you are going to reduce the amount, but one province might not feel there was sufficient benefit in it, and supposing it was not an economic trade and on a good, sound business basis, the balance we would expect to come from it might make up for the loss. We are paying a present rate of interest, on an average rate of 4.16. Presume that most of the other provinces are higher than that.

THE CHAIRMAN: Yes, the western provinces are higher. I am not speaking of the rate they are now paying, the rate at which they have been borrowing; of course the western provinces cannot borrow at all at the present time except from the Dominion government. I think the last Dominion loan was in the neighbourhood of between 3.25 and 3.50, I have forgotten just the amount.

HON. MR. CAMPBELL: 3.30.

MR. WELLS: We can probably borrow in this province at

3.60, but as I say, the 3 per cent is arrived at more as a happy medium between what might be two extremes.

COMMISSIONER DAFOE: The Manitoba government made this suggestion: they suggested, as I remember, 3.25; they suggested capitalization at 3.25 per cent.

MR. WELLS: It would be a matter of what the provinces felt it was worth to do that. Now, we say this:

, "In the case of Prince Edward Island the proposed capitalization would yield a sum exceeding our provincial debt by approximately fifteen million dollars. No other Province would be in the same position; our unique situation is due to the reasons already given."

We have gone without public services that we needed, expenditure has been curtailed in every possible way.

THE CHAIRMAN: Of course, you have not had the obligations of those provinces with new and undeveloped territory, provinces which have had to open up new areas for settlement, and have installed new roads, and so on. The older settled portions of Canada have not been called upon to assume the same obligations in development of the province.

MR. WELLS: Of course, My Lord, they have their public lands and they exceeded us tremendously in the amount they have paid out in education, for example, and in the construction of public works, and in the salaries they have paid their civil servants. We have gone along here just on the bare minimum, consequently, we have succeeded in keeping our debt down very low, so that if this proposed scheme of capitalizing the subsidies is carried out we will be in a unique position as compared with other provinces. We maintain, though that we are entitled to the fifteen million dollars, simply because if we had any money and spent it all on the things we would like to have, as a good

many of the other provinces have. Capitalizing the-subsidy ^{only} would not/pay our debt off but would leave us with an excess and because we have that excess we say we are entitled to it. We do not propose that this fifteen million dollars should be immediately paid over to the province in a lump sum, we suggest that this excess sum be held to our credit at Ottawa, and that the province be paid interest thereon at the rate of 3 per cent. That seems, to us, to be a reasonable rate of interest to ask. If, in the future it should become necessary, the provincial government should be allowed to withdraw capital amounts from this credit in preference to further Provincial borrowing; or we might put it another way, we would be assured we would be able to borrow, if it became necessary, at the rate of 3 per cent, up to an amount equalling \$15,000,000.

THE CHAIRMAN: What is the amount of the debt for the province?

MR. WELLS: Approximately five million.

COMMISSIONER ANGUS: Who would pay interest on the existing debt until its maturity, 4.16 per cent rather than 3 per cent?

MR. WELLS: Of course, the idea was, I think that the Dominion government would assume that indebtedness and possibly re-float loans. They could get money at a considerably lower rate of interest and there has been, I believe, a plan proposed in regard to the refunding of loans.

COMMISSIONER ANGUS: Is your debt callable in any way?

MR. WELLS: No. The suggestion was that the present provincial bond holders in any province would be given an opportunity of either taking federal bonds at a lower rate of interest, because the risk would be less, or surrendering

then and putting their money wherever they wanted to. The idea behind it being simply that it is not exactly a repudiation, because they bought provincial bonds paying a higher rate of interest. Then if the Dominion government assumed those bonds, the risk being less, they would naturally be expected to take a lower rate of interest. If they did not care to do that, they could take their money and invest it somewhere else.

COMMISSIONER ANGUS: Assuming the Dominion borrowed at 3.25 per cent in respect of your debt, it would be paying 3.25 per cent on five million, and 3 per cent on fifteen million, but in respect of any other province which would be in a comparable position, they would be paying 3.25 per cent on the whole thing.

MR. WELLS: That might be possible. If they capitalized at $3\frac{1}{2}$ per cent then we should get interest on the surplus at the same rate.

COMMISSIONER ANGUS: Taking your proposal to capitalize at 3 per cent, then the Dominion has to deal with your existing debt, that is, if it has to repay it and borrow an equivalent amount in the market, and they would have to pay the market rate, supposedly 3.25. So they would be paying 3.25 per cent on the five million they refund, and 3 per cent on the balance that is owing to you. But in the case of any other province, assuming the whole amount has to be refunded, the debt exceeds the capitalized subsidy, the Dominion would be paying 3.25 on the whole thing.

MR. WELLS: Would you suggest, then, a reasonable amount at which the subsidy should be capitalized would be the rate at which the Dominion government could borrow the money?

COMMISSIONER ANGUS: It is rather unsound business, but I was going to ask you if you would not, on these figures,

be making them pay 3.25 per cent on the fifteen million.

THE CHAIRMAN: The theory upon which the proposition was advanced to us in Saskatchewan was that, having regard to the position of Saskatchewan credit, and the position of the bonds on the market, which are selling below par, the bondholder might be glad to accept one or the other of those alternatives. But when you reach a province with the high credit of your province, where you can borrow at about 3.25 percent, can you expect the bondholders would be glad to accept Dominion bonds at 3.25 when they can get 4.60.

MR. WELLS: 4.16. We have a lot of our bonds at 3 per cent. I think that brings our average up so high is a million dollars that matures in 1947; they pay 6 per cent. Aside from that the majority of our bonds are much lower than 4.16.

THE CHAIRMAN: You are obviously intending to guard against that in the future by having this fifteen million in reserve. However, it is a very interesting suggestion. If there is to be a capitalization, the rate at which it should be capitalized, - the same rate would have to apply, I should assume, to all the province.

MR. WELLS: As I say, the provinces would not agree to a refunding at too high a rate.

THE CHAIRMAN: And probably the Dominion would not agree to refunding at too low a rate. The question is, where is the happy medium, what is the fair rate.

MR. WELLS: That is true, to a certain degree. On the other hand, in the final analysis, I believe the refunding by the Dominion would save a great deal to the tax payer of the country as a whole, and even if to the Dominion tax payer, the refunding was not on a good basis, as a provincial tax payer, it might be, and the difference might be offset, so that even if the Dominion felt it was

taking over at too high a rate, still, in the final analysis, the tax payer would be saved money, and that, of course, would be, I take it, the primary consideration.

COMMISSIONER DAFOE: You would take the unconditional subsidies as they stand, and capitalize them for all the provinces?

MR. WELLS: Yes.

COMMISSIONER DAFOE: I think before that could be done you would find some provinces, - more than one or two, - would say their present unconditional subsidies are out of line with the subsidies paid other provinces, and they must first be equalized. You would be up against that for certain.

MR. WELLS: In our second part now, of this proposal to capitalize the subsidies, we deal with the conditional subventions, and it is our belief even with that method you could equalize these differences which may exist between the provinces in the amount of the subsidy they would receive. Now, in this connection I will read from Professor Adarkar, "The Principles and Problems of Federal Finance".

THE CHAIRMAN: Is it necessary to read all that? I think we have read that portion. Of course, it must be borne in mind that Professor Adarkar was writing having regard, no doubt, to the situation in India and the difference in the states there.

MR. WELLS: That is very true, My Lord, but he seems to state it very clearly; the contention which the so-called poorer provinces have always made in regard to why they should receive a higher per capita subsidy. We feel that he expresses quite concisely what we believe in that connection, that a less fortunate province should receive a greater degree of consideration.

THE CHAIRMAN: Of course, in the first paragraph is laid down a principle which I do not think the Board of Trade here will agree to:

"As was said in that chapter, the main plank of public finance is the theory of transferences, that is to say the theory that welfare is maximized generally by making through the agency of taxation and public expenditure real transfers of consumable resources from the rich to the poor".

No doubt the effect of taxation is to make a transference, but there has never been accepted in this country the principle that taxation was to make a transference from the rich to the poor. The object of the tax has been to meet the necessary public expenditure, and the principle recognized is that the taxation should be imposed on those best able to bear it. I would think this is rather an idealistic proposal.

MR. WELLS: Do you not think, My Lord, it is really what happens in effect?

THE CHAIRMAN: It may be the effect, but it is not the principle upon which it is based. It is the effect of it, of course, to a certain extent.

COMMISSIONER ANGUS: Is it the standard of equity in taxation that is sought by these taxes? Is that what it amounts to?

MR. WELLS: This first paragraph simply sets out a theory, or principle, as to what happened in a tax; it was simply a transference from the rich to the poor. That is all that was set out in that first paragraph. In the second paragraph he goes on to show why such a theory is justified, why it is a good thing, and he goes on from there to show that the poorer provinces may be supplemented in their needs by special subventions from a federal government out of

proportion, possibly, to what they should receive per capita, and that it is simply justified because it is exactly what happened when any tax is imposed at all.

THE CHAIRMAN: If you applied the principle of fiscal need that would reach the same point.

MR. WELLS: Exactly. Well, My Lord, if we are not going to read those extracts ---

THE CHAIRMAN: I think the members of the Commission have read them, but if there is any particular passage you feel it necessary, for the purpose of your argument, to read, read it by all means. We want you to present your argument in the form in which you would like to do it.

MR. WELLS: No, My Lord. Simply this, as I have stated, this statement from Adarkar simply sets out what we feel in regard to federal subventions. It sums up the whole thing; the need of certain provinces, who depend on the federal government for assistance, and we are proposing these conditional subventions as a corollary to the capitalization of the subsidies, and I do not think it is necessary to go into that at any greater length than I have.

Now, coming to page 5 of the Brief, we have a suggestion concerning provincial debts. This, of course, is more of an academic question as far as we in this province are concerned, particularly if the subsidies are capitalized, because we ^{will} have no balance of debt left, whereas, in some other provinces there will be a balance. Again, we are simply putting on the record some suggestion of what our views on that subject are. It does appear to us that it is extremely desirable that all the provinces be placed once again on a sound financial basis, if that could be done by simply capitalizing the subsidies and letting them carry on with the balance of the provincial debt. That

would be fair enough, but we feel that it might be desirable and a good thing for the country as a whole if, even a large proportion of some of the provincial debts were assumed by the federal government. But that, of course, must be conditional on the provinces yielding up assets and their revenues to the Dominion government commensurate with the new burden which the Dominion would have to bear if it assumed a large amount of provincial debts. It does appear to us that it is very desirable the provinces be, as soon as possible, placed on a sound financial basis. Indirectly, the other provinces and the Dominion are deeply interested in the financial welfare of any one province. To the tax payer, it matters not at all whether his taxes are paid to the federal or provincial authority. If the Dominion government could assume all the provincial indebtedness without any increase in the total amount of taxes to be paid, such a course would result in greatly enhancing the financial standing of all the provinces in the eyes of the lending public and restore that very necessary confidence which has been lost, in certain instances at least.

THE CHAIRMAN: Do you see any practical method of achieving that? Take the prairie provinces as an illustration. We have visited two of them so far, Manitoba and Saskatchewan. What sources of taxation could they turn over to the Dominion which would compensate the Dominion for taking over all their debts?

MR. WELLS: Take over their liquor revenue, their income tax, succession duties.

THE CHAIRMAN: I just want to see what your suggestion is, what you have in mind.

MR. WELLS: We have not gone into the question very closely because it does not interest us except from an

academic point of view, and the point of view of the welfare of the Dominion as a whole. But we are not opposed entirely to the scheme, particularly if some compensation is given to the Dominion for assuming it. Our feeling is, - I think it is a feeling that is general among the people in this section of the country, - that the west has exceeded by all reasonable bounds in the amount that they owe, and we feel that it has affected the credit of all the provinces, and of the Dominion generally. If we can get every province on a sound financial basis again, we believe that conditions will be much better. However, we have not gone into it in detail at all because it is not of immediate concern to us. It would appear, to the tax payers of the provinces concerned, such a shift of financial responsibilities should, in the long run, mean a substantial saving. That is what I said before in connection with the question of refunding the debt. In the event of such a step being taken, or some such modified step, we are in favour of setting up some form of loan council.

(Page 4405 follows)

COMMISSIONER ANGUS: Is it a good idea, if the other provinces gave up their income taxes and succession duties that Prince Edward Island should do it too and get back some payment from the Dominion, thus creating two separate systems of taxation, one applying to the mainland of Canada and the other to Prince Edward Island?

MR. WELLS: Well, that would have to be gone into. You see, our attitude has been that we cannot give up any of our present sources of revenue. We have not gone very thoroughly into the question of what we would expect to get back, in return. If the subsidies were capitalized, we would have \$15,000,000 as well as the interest which we would save on our sinking fund charges, but we would still need every possible source of revenue to maintain our status and not go further into debt. It is for that reason that we have not considered what compensations we should receive from the Dominion. We have made the suggestion that the government assume the liquor revenue. There have been two suggestions made as to the form which such a council might take, and so far as this province is concerned either proposal would be acceptable. We are in favour of such a loan council whether it is advisory in nature or compulsory.

THE CHAIRMAN: Either the Dominion and a province or the Dominion and all the provinces; you would prefer, I take it, the Dominion and all the provinces.

MR. WELLS: Yes, I think so.

COMMISSIONER MacKAY: Do you think such a scheme would be satisfactory? If a council were made up of a Dominion representative and a representative of each of the provinces, might not each provincial representative start favouring the other provincial representative while which would lead to what our American friends call, "log

rolling?"

MR. WELLS: There is that danger, but we would hope that in the final details some way could be worked out to prevent that.

COMMISSIONER MacKAT: Do you think any satisfactory scheme could be worked out, since you have a loan council appointed by the Dominion government alone, as the strongest financial unit? The credit of the whole country more or less reacts on the Dominion.

MR. WELLS: How does the system work in Australia?

COMMISSIONER MacKAY: I must confess I do not know very much about it. I doubt if it has been in operation long enough to find out just how it is going to work out.

COMMISSIONER DAFOR: The Commonwealth bank, is, in fact, the deciding factor in the Australian system. All borrowing is done through the bank and when estimates are put in the bank informs them they are twenty-five thousand dollars too high. It is then necessary for them to battle it out among themselves, where this reduction will take place. I think it is the Commonwealth bank which is the real controlling factor.

THE CHAIRMAN: Of course, that is a matter which we will have to look into with care. The loan council has been suggested to us in a number of other representations. The Australian model has been cited to us as the form which such a council should take. It will therefore, be necessary for us to investigate with care the constitution and methods of operation of the Australian loan council.

MR. WELLS: Our feeling in the matter is that we should have some such council. We feel that the details

of such a council could be worked out with the Dominion and the rest of the provinces. It seems to me to be of very little value for any one province to go into the important details of such a council which may depend upon some one fundamental feature to which the other provinces would not agree. I may at this point, mention that if subsidies are capitalized and a system of conditional subventions employed, we would favour the arrangement of some sort of economic grants council, if you care to call it by that name. This council would, to a certain extent, advise as to the amount and type of subvention employed in any particular province.

THE CHAIRMAN: You would have what the Australians now have, you would like one or both of these features of the Australian economic life. You would favour a loan council as well as a grants council, I take it?

MR. WELLS: Yes, whether or not any one of these particular suggestions is adopted, we are putting ourselves on record as favouring some such method.

HON. MR. CAMPBELL: My Lord, and gentlemen of the Commission: The next group of representations falls under numbers three and four in the table of contents, "The Effects of the National Policy," and "Financial Arrangements with the Dominion." The general effect of these two factors on our financial condition is dealt with as well as the effect on the educational system. A general survey of the financial arrangements of the province with the Dominion including the findings of the Duncan Commission, the White Commission and such related subjects are contained in this section. With the permission of your Lordship and the members of the

Commission, I would ask Mr. J. Campbell, member of the bar of Prince Edward Island, to present these features.

MR. J. CAMPBELL: Member of the Bar of Prince Edward Island, was called.

MR. CAMPBELL: My Lord and gentlemen: I do not know that I will be able to classify my subject as well as my learned colleague has just done. I am afraid that we may arrive at the point, as no doubt you gentlemen of the Commission have, where we perhaps become over anxious in looking at this subject. If my remarks appear to ramble somewhat, I hope that I may be pardoned.

I noticed a remark of my Lord Rowell, this morning, that unemployment relief was given to the various provinces on the basis of fiscal need.

THE CHAIRMAN: Not the fiscal need of the province, but the need of the individual within the province.

MR. CAMPBELL: Yes, my Lord. Now, I suppose you gentlemen have noticed that the main buildup, as we might call it, in the Brief for this province is the buildup for fiscal need. We find ourselves unable to accede to the decision of the majority report of the White Commission that fiscal need was not a basis on which subsidies or grants in aid should be granted to the province.

We find ourselves supported in that view by the Prime Minister of Canada, at that time, in 1907. What was supposed to be the financial arrangements in regard to subsidies? I notice my Lord Rowell mentioned to Premier Macdonald in Nova Scotia, "Apparently nothing is final in Dominion-Provincial relationship." There is, however, one thing which is final in these arrangements and that is the basis upon which the grants were originally made at the time of Confederation and in 1907. When the

final unalterable arrangement was made---this appears at page 36 in the Brief submitted by the province of Prince Edward Island--we find there Sir Wilfrid Laurier saying in 1907, "Why was the basis fixed in 1864 for the allotment of eighty cents?" Sir Wilfrid Laurier was attempting to justify the figures agreed upon in the conference which preceeded the request of the amendment of the British North America Act. He was Prime Minister of Canada at this time, and he had at his disposal all the figures, the reports and other sources of information. He says this:

"Why was the basis fixed in 1864 for the allotment of eighty cents? I have searched for the reason, and the only one I can find is this, that a calculation was made by the Minister of Finance of the various provinces according to the statement by Colonel Grey, by Mr. Brown, by Dr. Tupper, by Sir Leonard Tilley, by Mr. Shay and others, they came to the conclusion that this would be a fair basis on which to meet the wants of the provinces."

There, you have the basis of fiscal need again. In the passing of the British North America Act itself, we have this mentioned again. I quote from the British North America Act and amendments, 1837-1927 at page ninety:

"--an annual grant equal to eighty cents per head of its population as shown by the census returns of 1871, viz., 94,021, both by half-yearly payments in advance--such grant of eighty cents per head to be augmented in proportion to the increase in the population of the island as may be shown by each subsequent decennial census,

"until the population amounts to 400,000 at which rate such grants shall thereafter remain, it being understood that the next census shall be taken in the year 1881."

This was one of the features of Confederation to provide payments to Prince Edward Island, which payments were to increase until the population of Prince Edward Island reached 400,000.

Now, why was this basis fixed? Well, the only basis which Sir Wilfrid Laurier could find was this:

"That a calculation was made by the Minister of Finance of the various provinces according to the statement by Colonel Grey, by Mr. Brown, by Mr. Tupper, by Sir Leonard Tilley, by Mr. Shay, and others, and they came to the conclusion that this would be a fair basis upon which to meet the wants of the provinces. That was their judgment, and in 1906 we took as a basis the judgment of the ministers of several provinces assembled with us, who told us that according to their experience this was the amount they needed in order to carry on their public affairs. They had no other basis than that."

It was in 1906 that Sir Wilfrid Laurier, in searching for a reason as to why the subsidies claim of the province arose in the first instance says that after a careful search he found it was on the basis of fiscal need.

Then the White Commission, comes along and at page five of their report they say:

"In the case of the first members, financial necessity on the part of one or more has induced

"the Dominion, however unwillingly, to come to their relief."

Sir Wilfrid Laurier says, "I have searched for a reason;" and arrived at the conclusion that fiscal need was the basis in the first instance. The majority report of the White Commission says that the Dominion, "however unwillingly, " came to the relief of the provinces. Then, at the bottom of the page the report states:

"But while all this may be admitted, we do not think that a policy which has prevailed where- by certain provinces in financial distress from time to time have been aided to a limited extent by the Dominion should be deliberately adopted as a rule of action generally applicable in the matter of financial arrangements between the Dominion and the several provinces. To do so would inevitably lead to conditions harmful and dangerous in the extreme to both the Dominion and the provinces themselves."

This is the report of the White Commission. Prime Minister Sir Wilfrid Laurier searched for the reason at the time of the conference which preceded the request of the amendment of the British North America Act. At that time he thought the basis upon which they had proceeded was the basis of fiscal need of the provinces. The White Commission says;

"To do so, would inevitably lead to conditions harmful and dangerous in the extreme to both the Dominion and the provinces themselves. "

The report of the White Commission states at page seven, "For the foregoing reasons we feel obliged

to reject this proposed test of fiscal need." The Fathers of Confederation had not rejected it; they had given effect to it.

Now, the Honourable Chief Justice, in his memorandum of dissent, at page 22 of the Report of the White Commission says:

"From early days one first requisite to granting additional aid by the Dominion to a province was proof of fiscal need arising from causes for which the province was not responsible. Such proof would, of course, not be required where the claim rested on damages as for breach of the Confederation contract, or for compensation of the alienation of Dominion lands to other provinces.

He says that the provinces would not have gone into Confederation if this basis of fiscal need had not been recognized. Page 23 the Chief Justice states, "This fundamental principle has been departed from in practice. It was the view of the majority of the White Commission that should this policy be deliberately adopted again, it would inevitably lead to conditions harmful and dangerous to the extreme. However, this policy was adopted, or else there would be no reason for the Chief Justice to say in his memorandum of dissent at page 23:

"This fundamental principle has been departed from in practice. These provinces have ceased to rely upon the Dominion subsidies alone for many of their necessary public services and through the years have steadily increased in area and amount the exercise of their provincial taxing power until it practically covers, in the maritime provinces, not

"least, the whole provincial field, while the Dominion government has also invaded the provincial field, notably in the case of income tax and still the provincial deficits grow."

"--under our political system from which the spirit of strong partisan bias can never be wholly excluded, grave abuse through favouritism towards individual provinces and consequent discontent on the part of other provinces whose governments were not so favourably regarded would surely follow the acceptance of even this modified test of financial need. in the case of provinces seeking further subsidies in aid from the Dominion Treasury."

This has always been the case with former Commissions, that is prior to this Commission. There was always the idea that one province got this and we did not get it, so we have a claim by reason of that fact. In making preparation for this commission we felt that we would not press claims, that this was not what the present Commission was for. This commission, I believe, is trying to arrive at some new system whereby the financial setup of the provinces can be, at least for some years, settled as between the Dominion and the provinces.

THE CHAIRMAN: That is correct.

MR. CAMPBELL: With this in view, we avoided, as far as possible, putting anything in the Brief which might be called a claim. This is not a claim against Canada, it is just to show that we need money. Fiscal need is the claim, need becomes the claim. For instance, there

is one small matter to which I wish to refer in connection with the land question in this province. This is cited at page eight in the Brief submitted by the province. It is from this, I might say, my Lord, that the only claim which is actually a claim, arises. We have incorporated this in the Brief because we believe Prince Edward Island's position in this respect is unique. We are in the same position, practically, as the Irish peasants were at one time in their history when their Income Act which was passed by them was disallowed by the Imperial Government. In order to meet the situation of that day, the colony passed legislation, but this was disallowed by the Imperial Government in much the same way as the corresponding Irish legislation. This reference appears in the record, so I will not take up too much of your time with it. We feel, in that respect, that it is not in the nature of a claim, that is as regards the other provinces. We are not saying that something must be done for us because of this. Our argument is that because of our unique position in this respect we should have some special consideration.

In order to illustrate to your Lordship that what we say in this Brief is correct--in 1869 there was a proposal of terms of Confederation given to us which we did not accept until 1873. We were looking for terms, and the terms of 1869 were rejected. At this time, the province was fighting to remain outside of the Dominion and they were trying to secure funds from the Imperial government--this does not appear in the Brief. The Dominion government, at the time we entered Confederation, thought we should be afforded compensation for the loss of land. The sum of \$800,000.00 was granted ~~the Island~~

government. This sum was supposed to be in addition to the other sums mentioned in the preceding proposals. Now, we rejected these other proposals for the one under which we entered the union. On our entry into the union, the Dominion government loaned to the Island government the sum of \$800,000. to buy out the lands remaining in the hands of the proprietors. Three-fifths of the lands had been bought prior to Confederation and paid for out of current revenue. Interest at five per cent on the amount so borrowed was deducted annually from our subsidy of \$45,000. It was the intention of the Fathers of Confederation that we should get \$800,000. clear, that is quite evident. There are the terms of 1869 which we rejected to provide for further negotiation with the Imperial government.

THE CHAIRMAN: You later accepted the alternative, is that it?

MR. CAMPBELL: We accepted the alternative, yes, my Lord. It was accepted at that time, apparently, as it was the intention that we were to be relieved of this leasehold system. We borrowed this \$800,000. and commenced to sell the land in order to pay the interest charges on this money. The table in this little book entitled, "Prince Edward Island the Only Landless Province of Canada," being a memorial filed with the federal government by Prince Edward Island on Tuesday, January 31, 1930. This table shows that from 1873 until 1891 we collected on an average less than \$40,000 a year. This sum just paid our interest and we have been paying that ever since.

THE CHAIRMAN: Is your argument, Mr. Campbell, that

you did not exercise good judgment in your negotiations?

MR. CAMPBELL: No, my Lord, not quite that. Somebody did not foresee the possibilities. The intention is evident as is shown here. Since we have no crown lands and since we cannot enjoy any revenue from that source for the maintenance or construction of local works, our fiscal need at the time of Confederation was \$45,000.00 a year. The reason for this was that we had no Crown lands. We needed \$45,000.00 for the construction and maintenance of local works. At that time, we also needed to be relieved of the leasehold system and the absentee landlord system which was in effect. We needed both of these things, and we only got one.

THE CHAIRMAN: You are not asking us now to revise that agreement which you made at that time?

MR. CAMPBELL: Of course, my Lord, it was made under extreme pressure.

Perhaps your Lordship might like to have an illustration of the pressure under which we were at that time. This is a letter from the Government House Administrator. It is in regard to one Dickieson who was in the course of law to be brought for examination before the justice of the peace, Mr. DesBrisay.

"This, it would appear was known some days previously throughout the country, and at an early hour numbers of persons known to be connected with the Tenant League were observed to enter the city. As the day advanced, a large number had assembled in the vicinity of the jail, and in the streets leading thence to the city

"hall, apparently waiting the bringing up of the prisoner. The Sheriff seeing so large an assemblage, became apprehensive that they had congregated for the purpose of rescuing Dickieson; he had the day previously been informed that it was probable that a rescue would be attempted. The sheriff therefore addressed to the colonial secretary a requisition for arms to be supplied to a force of special constables, which he intended to organize.

It was absolutely necessary, in order to prevent Dickieson being brought up by writ of habeas corpus and immediately discharged that he should be taken before the magistrate on the twenty-sixth of July. I considered it my duty, under these circumstances to order compliance with the sheriff's request. At the same time I directed the colonial secretary to counsel the exercise of the utmost forbearance on the sheriff and the special constables. I have the honour to enclose a copy of the letter addressed by the colonial secretary to the sheriff in answer to his requisition. The prisoner Dickieson was safely conducted from the jail to the city hall, escorted by the sheriff and about twenty-five special constables, each armed with a cavalry pistol loaded with ball cartridge. The charge against Dickieson was duly investigated and he gave bail for his appearance at the next term of the Supreme Court. On perfecting bail, Dickieson was, as a matter of course, discharged by the magistrate; he was,

"however, detained by the sheriff having previously been charged in execution under a judge's order for debt at the suit of his landlord. The sheriff, aided by the constabulary force, proceeded from the City Hall with Dickieson, in order to re-commit him to jail. On leaving the City Hall the sheriff and his assistants were immediately surrounded and pressed upon by the excited mob of upwards one thousand persons. Apparently, determined to rescue the prisoner. Stones were thrown and several of the constables were struck by them.

Taking into consideration these and the more recent occurrences of which I have informed you, I am constrained to admit that in Queen's County the sheriff, unless attended by an armed force, cannot, with safety to himself and his officers, attempt to discharge the duties of his office."

THE CHAIRMAN: What was the date of that letter?

MR. CAMPBELL: The date is the second of August, 1865.

THE CHAIRMAN: I should have thought you were much happier after Confederation than you were before it.

MR. CAMPBELL: Yes, my Lord, it appears to be so. It is that very thing which we are saying now, that we were forced into Confederation by circumstances such as these. To show that the administrator was not unduly antagonistic in this matter, the sheriff then goes out, or his deputy, James Curtis to execute a writ placed in his hands by Robert Rennie. He, after having levied on the Proctor's goods and brought them within a few miles of

town, was attacked and badly beaten by overpowering numbers and the goods levied upon by him, rescued.

THE CHAIRMAN: I should think, in view of these incidents, you would be celebrating the first of July to a great extent.

MR. CAMPBELL: Yes; this Dickieson is served, and this is what happens during the course of that service.

"That when between Bagnall's and the said James Proctor's deponent observed that they were met by a man on horseback who closely scrutinized them and after he seemed to recognize them, drew back some distance behind them blew a horn or tin trumpet which was answered from farm to farm.

"----That the most violent amongst them all was one Charles Dickieson who seemed to be the ringleader. That the said Charles Dickieson who as soon as he recognized Deponent, commenced to swear at and abuse Deponent.

"---And this Deponent further saith that as soon as the said Charles Dickieson heard that the property of the said James Proctor' was to be released as soon as sufficient security was given for its forthcoming and when he saw that the said James Curtis appeared willing to act as willingly and leniently as he could, the more abusive and excited he became, swearing at the said James Curtis and this Deponent. And this Deponent further saith, that at the old Rustico road the people left from following Deponent, turning off to the New Glasco road. That the said James Curtis, accompanied by this Deponent, the said Henry Chown, and the said bailiff, pro-

"coded on until they came to Milton church, where they were again met by the said Charles Dickieson, accompanied by the same people. That the said Charles Dickieson and his said companions halted upon the bridge immediately below the residence of Owen Curtis, Esq., and immediately obstructed the way by placing a horse and cart across the said bridge and another in the stream, and arranging their horses across the said bridge as making it impossible for even a foot passenger to pass. That as soon as the said James Curtis reached the said bridge, he requested them to allow him to pass, saying, 'gentlemen, please allow me to pass.' As they made no attempt to move, he got out of his waggon when a murderous attack was made upon him.

As soon as the people perceived that Dickieson had been arrested, they drew back a short distance, and prepared to make a rush for the purpose of rescuing him; but that Deponent stood on the bridge, and cocking his pistol, told him he would shoot the first man who came near him; that this seemed to frighten them, and that within a short time they withdrew."

This is the condition of which I have told you.

THE CHAIRMAN: I do not think you need to elaborate upon that, we are willing to accept the view that conditions now are very much better.

MR. CAMPBELL: There was some more, my Lord, but I am just afraid I might weary your Lordship.

THE CHAIRMAN: You evidently had an exciting time.

MR. CAMPBELL: These are the conditions which prevailed in this province at that time. Every time the sheriff was seen they came around him like leeches. The sheriff was powerless to carry out any orders unless he had an armed force. The result of this was that this province was practically forced into a settlement of the land question. It was because of this and the land question, I believe, that Prince Edward Island was forced into union.

THE CHAIRMAN: I should think after listening to the recital of the conditions prevailing at that time, that union was a happy escape from your difficulties.

MR. CAMPBELL: Yes, it would have been, if we had not been forced to borrow this \$800,000. from the Dominion government. There was an error, but it was not on the part of the Fathers of Confederation. The error was made away back in 1727 I think, it was, and 1767.

THE CHAIRMAN: That is when the lands were granted?

MR. CAMPBELL: And our lands were given away, as one of the governors, I think it was Governor Dundas, said when he was writing back home. "It is a different thing on this side of the water, away from European influence, it is quite easy to see that the having of a leasehold tenure seems to be a desirable thing. It is for that reason that the whole country was up in arms. An examination of all of these documents in the Journals of the House will reveal that these people were not the rought element who were carrying on this Tenant League. They were the best of citizens. It was for this reason that our people were forced into Confederation. They were forced at the same time by the best people in the province; these people forced them into Confederation,

forced them to get something done. They wished to be rid of this leasehold system which had been forced upon them. Now, as I say, I do not wish to weary you any further with respect to that point. I would point out finally, that at the time of Confederation, Sir Wilfrid Laurier said that this was the only basis for it that he could find and he had searched the records. Our payment was \$45,000. to be used for the construction and maintenance of public works because we had no public land. If our fiscal need at that time was considered to be that much, we were to get it, and this loan of \$800,000. Our need was to get rid of this leasehold system and it was for that purpose that this \$800,000. was to be used.

Now, the \$45,000 which we were to get, we never did get and never have had since Confederation except the first couple of years. because these landlords had to be paid. They were being paid on the payment plan.

THE CHAIRMAN: You had to pay them more than you expected to pay?

MR. CAMPBELL: No, it is not that, that is not the point. We had to buy the land in 1875 and we did not get paid for it except at the rate of \$45,000 a year which was ended in 1890.

COMMISSIONER DAFOE: The payments for the land were used to pay the debt which you entered into in order to buy out the landlords and consequently you did not get out of the transaction what you anticipated.

MR. CAMPBELL: It is not that, Mr. Dafoe, not only did we get nothing, but we lost our subsidy as well. If we had had these lands, then we would have had something.

In 1875 when we bought up the land from the proprietors we did not receive anything then because we had to pay cash.

THE CHAIRMAN: You did not get the subsidy and you lost the land?

MR. CAMPBELL: No, we did not get the subsidy, and we lost the \$40,000 interest every year to the Dominion government. Ever since Confederation, we have had to pay this interest money. We will pay it and we are still going to pay it, presumably, because the same conditions have prevailed ever since Confederation.

THE CHAIRMAN: Was this claim brought up in 1907 at the time the subsidies were revised?

MR. CAMPBELL: No, the first time this claim was brought up was in 1912, when it was presented to the Duncan Commission.

THE CHAIRMAN: It was presented to the Duncan Commission?

MR. CAMPBELL: Yes.

THE CHAIRMAN: And the White Commission?

MR. CAMPBELL: Yes.

THE CHAIRMAN: And they both recognized it?

MR. CAMPBELL: Both recognized it and granted a subsidy. It was granted as an interim payment by the Duncan Commission and the White Commission did not recognize fiscal need, at least they say they do not recognize it. However, they must have recognized it, because fiscal need is the basis of the claim. An increase in the subsidy was granted, but they definitely say they did not recognize fiscal need. There is a need so they recognized these claims, but not on the basis of fiscal need.

THE CHAIRMAN: Is your logic quite sound? In order

to clarify the issue, it is quite true that the majority report of the White Commission refused to recognize fiscal need as a basis upon which a subsidy should be fixed. However, they do say they have taken all the features into account. In interpreting the White report, one might say, "Well, they said they did not recognize fiscal need, but the fact that they granted additional subsidy is evidence that they did recognize fiscal need."

MR. CAMPBELL: I think there is another thing. They say it was taken into consideration in 1926, but there is nothing which you can find to show that it was taken into consideration. In the White Commission report, it states, "To do so would inevitably lead to conditions harmful and dangerous in the extreme to both the Dominion and the provinces themselves." However we got \$45,000 for fiscal need.

THE CHAIRMAN: What Sir Thomas White had in mind, at least the majority had in mind, I think it is obvious from their report that they objected to fiscal need being adopted as a basis for subsidies and grants. This meant a degree of supervision by the Dominion of the provinces with reference to their financial arrangements and this was inconsistent with the full autonomy of the provinces.

MR. CAMPBELL: There is no doubt about that.

THE CHAIRMAN: It is for this reason it seems to me you might argue they did recognize fiscal need in the grant, although they declined to put it on that basis. The arrangements in 1867, 1873, and 1927 were made on the basis of fiscal need, although the Dominion has always declined to say so.

MR. CAMPBELL: Sir Wilfrid Laurier did not decline

to say so, he said so in no uncertain terms.

THE CHAIRMAN: That may be so, but the Dominion has always tried to put it on some other basis than that of fiscal need.

MR. CAMPBELL: I can see as Sir. Thomas White has said that it might be a dangerous practice if not properly used.

(Page 4430 follows@)

THE CHAIRMAN: That leads up to this question:

Assuming that fiscal need is to be recognized as the basis, then how is the fiscal need to be determined? Through this Grants Commission?

MR.CAMPBELL: Yes, my Lord.

THE CHAIRMAN: That would involve some checking of provincial accounts because you yourselves have pointed out the difference between a province which may be extravagant in its expenditures -

MR.CAMPBELL: I think your Lordship will agree that the government of Prince Edward Island will never be embarrassed by a checking of its accounts.

THE CHAIRMAN: No, I am only pointing out that you are putting forward a principle, because the same principle must apply to all provinces.

MR.CAMPBELL: Yes, we are certainly agreeable to that.

THE CHAIRMAN: Thank you.

MR.CAMPBELL: I might just say in passing, my learned colleague just passed this note to me, on page 21 of the White Commission he says "As an assessment in detail of each of the claims presented before us is, for the reasons given, manifestly impracticable", - well now, it would certainly be the most practicable thing to adjust a claim of \$800,000 not - "manifestly impossible, so we are just going to consider equitably the claims in the aggregate assigning to each its due weight according to our best judgment". It is not manifestly impracticable to assess a \$40,000 annual claim, so he could not have had that in mind.

THE CHAIRMAN: Do you say it is the fiscal need as of 1873 which should determine the present basis of arrangement or the fiscal need of 1938?

MR.CAMPBELL: 1938. As I said at the outset we had not intended to make so much of this land claim at all, I just

wanted to point/^{it}out because that is one claim which we may safely propose to this Commission without affecting the relations of any other province. That is, just as I said at the outset, in proposing this claim of ours we do not have to say "well, Manitoba got something, or somebody else got more than we did". We have this claim which stands on its own feet as far as Prince Edward Island is concerned. I think I have wearied your Lordship. It is the same as the national policy argument which I will come to sometime, that is it has been a factor which has contributed to our present fiscal need and clearly it was not dealt with by the White Commission, and the Duncan Commission did not deal with it. They left it for detailed determination and assessment, which was started by the audit board and not completed, and it has never been adjusted yet. And it is clearly an easily adjustable claim which we have been paying our schoolteachers that much less, we have been paying our officials that much less, we have been doing without things because away back in 1767 the Imperial Government made a mistake.

COMMISSIONER MacKAY : Is the point, Mr. Campbell, that you think grants for the arrangements between the Dominion and the Province of Prince Edward Island should be re-established on the basis of the fiscal need of the province in 1938 and this is a factor which has entered in?

MR. CAMPBELL: Yes.

COMMISSIONER MacKAY: Or is it that it should be established as of 1938 plus this claim for back losses?

MR. CAMPBELL: Of course, yes.

COMMISSIONER MacKAY: Then they are different things.

MR. CAMPBELL: They are different things. That is they are the same in this way, Dr. MacKay, the fact that we have not had that subsidy really only affected the fiscal need in each year we did not get it since Confederation.

COMMISSIONER MacKAY: Well, would not that be taken into account in your present situation of the province? It would be affected by that?

MR.CAMPBELL: Yes.

COMMISSIONER MacKAY: Then, if it is the fiscal need of 1938, and the fiscal need of 1938 is recognized now, then all this is wiped out?

MR.CAMPBELL: Quite, of course. If we have enough for our fiscal need at the present moment we have no claim on this ground.

COMMISSIONER SIROIS: You keep the door open?

MR.CAMPBELL: Yes.

THE CHAIRMAN: While you are bringing this matter of 1873 before us, Mr.Campbell, rather a homely illustration occurred to me. Are you likely to have domestic relations improved in the family if you are constantly telling your wife, or she is telling her husband, that away back about the time you were married how much she made a mistake? It is better if somebody else said that.I should think the best plan of promoting harmony in the family, and I presume you are a married man, is not to dwell too much upon the past but to take up the present and deal with the situation as it is and say, "Now, how can we get along together? We are here, we are united together - for better or for worse, for richer or for poorer - and what is the basis upon which we can get along together?"

MR.CAMPBELL: Yes, my Lord. My learned colleague is dealing with that when he comes to the model budget.

Now then, with regard to education. Page 22 of the brief, my Lord:

While Section 93 of the British North America Act, 1867, provided that "In and for each Province

the Legislature may exclusively make laws in relation to education," no provision is made for the financial arrangements resulting therefrom.

The Government of this province takes the attitude that education is a matter of national concern. That is primarily a scholar a student, who happens to be born in Prince Edward Island should have the same facilities, the same normal standard of education afforded him, as if he were born in Ontario. We base this again on fiscal need.

First of all, of course, it is a national problem and should therefore be considered as such. However, when I say the standard of education should be the same throughout Canada there may be details in the administration of education, if I can put it that way, which may be peculiar to different provinces. For instance, there would not be much point in instructing a student in Prince Edward Island how to grow wheat on a large scale, as perhaps he would need instruction if he were living in the West. In the same way the probability is that a scholar in Saskatchewan would not need to be taught how to grow seed potatoes the same as he might here. That is the arrangements, the set-up, for the educational standard might vary with different provinces, but it is a national responsibility resting on the shoulders of the federal government to see that the standard is maintained at somewhere the same level throughout the nation.

THE CHAIRMAN: Mr. Campbell, how can you say that in view of the expressed provision of the B.N.A Act? I recognize it is a matter of national interest and concern that all the children of Canada should receive a good education. It is a matter in which everyone is interested and it is a detriment to the whole public if any considerable area

does not receive suitable educational facilities. But how do you say, in view of the expressed provision of the B.N.A. Act, that education is the responsibility of the Federal Government? It was only because it was put within the realm of the provincial governments and under certain guarantees for minorities that Confederation became possible.

MR. CAMPBELL: Yes, I quite realize that, my Lord, and for that reason in the first place we say it is national but it is really a matter of fiscal need. That is, as your Lordship mentioned a moment ago, it is a matter of national concern that the standard of education should be kept more or less uniform, - that is, the standard. That being so, if some province is unable or some municipalities are unable, by reason of their fiscal need, to provide that standard, then insofar as the need can be met without interfering with the control, that then becomes the responsibility of the Dominion. Now, we have recognized that quite early in this province. We have here no municipalities such as are more common in other provinces. The need was quite early recognized by the Government of Prince Edward Island that it was national within the Province's responsibility. That is, in Prince Edward Island, we are able to expend per pupil something like \$31.00 a year, whereas the Government contributes more than twice as much towards the cost of education in the Province than is the case in any other province.

THE CHAIRMAN: Have you municipal organizations outside of the cities?

MR. CAMPBELL: We have what is called school districts, and the trustees in those school districts raise a certain amount of money which looks after the upkeep of the school

building and they pay what is called the teachers' supplement.

THE CHAIRMAN: They are not responsible for the teacher's salary?

MR.CAMPBELL: No. Part of it, yes, which they raise by supplement; some places \$50 a year and \$150 a year.

THE CHAIRMAN; In Ontario the school section is responsible for not only the upkeep of the school but the salary of the teachers. They do receive some grants from the Government as an aid in that but the school section is responsible for the entire expenditure of the school board.

MR.CAMPBELL: Yes, but that is not so in Prince Edward Island.

THE CHAIRMAN: And I think that explains at least one reason why the grant for your province is so much higher than the grants of other provinces. That is, they collect more from the people in the school sections than you do.

MR.CAMPBELL: Yes, that is quite it, my Lord. But the point I am trying to make there is this, that early we have recognized that. That is we are not to be met with this argument now that "Well, if you think there is a national responsibility in education why do not you recognize it in your own province?" We have. That is at page 25. Prince Edward Island contributes 65.3% of the cost of education from the Government. The next in line is British Columbia with 29.9, and they go down to 12.0 in Ontario.

THE CHAIRMAN: British Columbia is, in some respects, in the same position as Prince Edward Island because in a great deal of the territory they do not have municipal institutions. Am I not right?

COMMISSIONER ANGUS: Yes.

MR.CAMPBELL: That is the reason they are the second highest to us, then?

THE CHAIRMAN: Yes, I do not think there is any real comparison between you and British Columbia and the other provinces because of the difference in the administration of the school system, so far as the grants by the Government are concerned.

MR.CAMPBELL: Yes, I see, my Lord. These comparisons, as I said before, are odious. We want to steer clear of them in this presentation as much as we can. That table by itself is not so valuable as when it is read with the table immediately preceding it on the same page. That shows that although our local government spends 65.3% of the cost of education we are able only in this province to spend \$31.95 per pupil. We spend the least of any province in Canada per pupil and the Government pays more than twice as much of the total cost of education. Which shows in regard to education the Government of this province has a fiscal need. Now, if education is of national importance, the national government should give us some compensating balance, some governor, to make up for our fiscal need in that respect.

THE CHAIRMAN: What is the average salary paid to teachers in Prince Edward Island? Does it appear in the brief?

MR.STEWART: Page 30, the schedule in the middle of the page gives the average.

MR.CAMPBELL: Yes. Of course they are divided among first and second class teachers, males and females. The average for first-class male teachers, \$697, first-class female, \$601; second-class males, \$493, second-class females, \$445; \$400 and \$368 third class.

The fact that we cannot spend as much on the children

results in an unhappy state of affairs here. On page 23, my Lord, the second last paragraph;

In the year 1936 there were in operation in Prince Edward Island 476 schools, employing 657 teachers. Of these schools 413 were one-room rural schools. Only 68, or one-seventh of the schools of the Province, had more than one teacher. The number of children in attendance for 1936 was 18,183. In 1889, fifty years ago, the number of children enrolled in our schools of Prince Edward Island was 23,045.

Of course that is our highest population. But 150 schools in the province with an average attendance of fifteen makes the cost of education costly, sometimes it costs \$100 a year to keep one pupil.

THE CHAIRMAN: Yes, that is due in no small measure to the decline in rural population?

MR.CAMPBELL: Yes.

THE CHAIRMAN: I know in the case of the school near a farm which I happen to hold in the country, in a reasonably prosperous farming district, I think the attendance is only 12 to 15. There has been a decline in rural population and perhaps even more a decline in the number of children in the family. I do not know whether it has happened in this province or not, it seems to be pretty general, a decline in the number of children in the family, not so many children being born into the World, to be educated in the schools. And that, of course increases the cost per pupil very markedly.

MR.CAMPBELL: Yes, and increases the fiscal need of the province on the same ratio. And there is another feature of a low-salary school teacher, at the bottom of page 23; we had 657 teachers last year and 120 of them

were beginners; another 100 with only one year's experience; 144 from five to ten years experience, and only 118 who had taught for ten years or more. The result of that, my Lord, is that our teachers salaries are not enough to have them stay in the profession. They teach for a year or so and move away and perhaps go back to college.

THE CHAIRMAN: I am afraid that is pretty general.

MR. CAMPBELL: Pretty general I suppose, but more general here because we do not pay as much. In the old days, for instance, it was everybody went West to teach, when they were paying the high salaries out there. Of course I realize Saskatchewan in the last two or three years is not a fair comparison, but they used to pay salaries that attracted all our school teachers from this Province, they all went West to teach.

THE CHAIRMAN: They gave evidence before us that in a large number of rural schools the average salary paid to the teacher in the last year was \$200.

MR. CAMPBELL: In Saskatchewan?

THE CHAIRMAN: Yes.

MR. CAMPBELL: I realize in the last two or three years they have been hard hit. It is an emergency there of course. Here, my Lord, it has been the same thing; unemployment here is about the same I suppose as it ever has been.

THE CHAIRMAN: And in Quebec I think the figure given us indicated the salaries for rural school teachers was very low, lower than your figures here.

MR. CAMPBELL: At all events, my Lord, the main idea I want to leave with your Commission in regard to education is that we have recognized within the province the national aspect, qua province, and we are still unable to spend enough per pupil and it is useless within the

bounds of the province to ask the farmer to pay any more taxes. A lot of the school districts have a great difficulty in raising the teacher's supplement as it is.

THE CHAIRMAN : What would the taxes be on a good farm worth \$5000?

MR.CAMPBELL: .4% for the province and slightly higher, possibly .45 in the school district; about .85 altogether. Slightly less than 1%.

THE CHAIRMAN: His tax would be less than \$50 then?

MR.CAMPBELL: Yes. That is just the land tax, that was all your Lordship asked?

THE CHAIRMAN: Yes, I was only speaking of the land tax. I just wanted to get an idea what his land tax would be.

COMMISSIONER DAFOE: You have a direct provincial land tax?

MR.CAMPBELL: Yes.

THE CHAIRMAN: And the figure you gave us, .85, is ~~the amount~~ of both the provincial and the local rate?

MR.CAMPBELL: Yes, for school assessments.

THE CHAIRMAN: Has the farmer any other direct assessment?

MR.CAMPBELL: I think perhaps, with your Lordship's permission, I might leave that to my learned colleague, it comes at a little later stage.

THE CHAIRMAN: Yes.

MR.CAMPBELL: It goes into the horse tax and the dog tax and statute labour and so on.

COMMISSIONER DAFOE: You make it clear here that your ~~suggestion~~ is that subsidies to education should be in bulk, that the payments should not indicate for what purpose they should be used?

MR.CAMPBELL: Yes, I did not elaborate on that because

it covers the same ground as the Teachers Federation. The Canadian Federation have covered that ground and we accepted their conclusions in the matter and we did not want to worry your Commission with it. Have you already heard the Federation?

THE CHAIRMAN: Yes, we heard the Federation. They presented a very interesting brief.

MR. CAMPBELL: We agree with their conclusion very well.

Now, in regard to the national policy, possibly that is where we suffered the most in the Maritimes, and probably in Prince Edward Island more than anywhere else. That is at page 7, my Lord. We felt in 1866

"any federal union of the North American Colonies that would embrace this Island would be as hostile to its feelings and wishes as it would be opposed to the best and most vital interests of its people".

The people of Prince Edward Island seem to have had an almost prophetic view of what the result of union would be. Yet once committed to the union, there never was, nor is there now, any question of withdrawal. The citizens of this Province have borne with patience a national policy which has been distinctly not beneficial; and so on. Now, there can be no doubt, my Lord, that the benefits which we were to derive from Confederation were painted in pretty glowing terms in 1867 and 1873. We were going to have a united country, we were going to sell our products up in the central provinces. Here is what they told us then: (Page 14) Sir Leonard Tilley said, - this was in 1879 when he introduced the National Policy: -

"We are told that this is a sectional policy, that it is going to separate the people, that the

Government or the Finance Minister was simply a committee appointed to receive propositions from the men who came to Ottawa. I can only say that, if we accepted the propositions from all parts of the Dominion, the tariff would have been a very queer mixture indeed, because we naturally had conflicting interests to deal with. But the Government, in view of its responsibilities, as representing Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and the Northwest, had to consider and decide as to what was in the interest of the whole Dominion, and what might meet, fairly and justly, the interest of the whole country."

I think this is just exactly what this Commission is considering at the moment.

"If we had come down with a proposition directly in the interest of one Province, no matter how great it might be, had we taken propositions en bloc from Ontario, for example, the other Provinces would have ground for complaint. Our scheme is not for a section but for the interest of the whole country."

And then the paragraph just before that :

"As far as the agricultural interests in the Lower Provinces are concerned, they will be benefited by getting an increased home market for their productions, and increased prices for some of their articles Something was said the other night with reference to our manufactures in the different parts of the Dominion. I am not, I think, over sanguine when I say the day is not far distant when the population in the western country

will be greater than it is in Canada, and when the Maritime Provinces, with their coal, iron, and water power, will be manufacturing centres for this vast Dominion It is my conviction, in reference to the Province of New Brunswick, that the manufacturing equally with the agricultural and lumber interest, will be fostered and encouraged by the present tariff"

COMMISSIONER DAFOE: It is fortunate, Mr. Campbell, that that observation was made by a man from the Maritimes.

MR. CAMPBELL: Yes sir. The observation was very well made, I have no doubt, when it was made. It didn't work out that way. That was the intention at the time, just as it is the intention of the present commission to have a national policy which will be in truth a national policy and not one which will leave us with a declining population in Prince Edward Island instead of the 400,000 people which was the intention of the Fathers of Confederation at the time they passed this Act in 1873. That was all right then. We kept on growing until 1890. It took about ten years for this wonderful national policy to make us the flourishing commercial and manufacturing centre for this vast Dominion which we have become. It took us about ten years before we got to be that and ever since we have lost our population by leaps and bounds in every decennial census.

THE CHAIRMAN: Do you think the National Policy is in any way responsible for the small sized families that are characteristic of today?

MR. CAMPBELL: That may be a national policy of another type, my Lord.

THE CHAIRMAN: Our difficulty is always to attribute to some one cause the conditions that are brought about

by a combination of many causes, it is very difficult to segregate and say how much is attributable to each.

MR.CAMPBELL: It is very easy, I realize, for a person to blame everything on the National Policy, but certainly there should have been some little more compensating effect given to the vast advantages which have accrued to the central provinces as a result.

There is nothing new that I can say to the members of the Commission on the National Policy, but we will take a farmer, for instance, in Prince Edward Island; he grows a bushel of potatoes, he sells them in the United States market over a seventy-five cents duty, which is imposed, and that farmer has to take that very money, which all he has left is probably ten cents, if he puts it in over the duty, he has to take that ten cents and pay it in duty on his motor car which he buys. Every farmer in Prince Edward Island who owns a motor car and who grows potatoes pays two duties instead of one.

THE CHAIRMAN: How two?

MR.CAMPBELL: He pays the duty when he sells his article and he pays another duty when he buys his automobile.

THE CHAIRMAN: Yes, quite. Well, that is unfortunate.

MR.CAMPBELL: We would not mind if he didn't have to pay the United States Government .75¢ on his potatoes when he puts them in there if he had that seventy-five cents to help buy his binder when he needed the binder in the Fall.

THE CHAIRMAN: Of course, there are those who would say that if he did not have that then he would not have any chance of selling his potatoes in Upper Canada, because there would not be the cities there to buy them, if there were no manufactured implements.

MR.CAMPBELL: Of course, my Lord, that brings us back

to this point, that in 1879 when those industries up there were cripples and unable to stand on their feet in any way, shape or form, then they had to be nursed, but surely they can be weaned at some time or another before we lose all our population down in the Maritimes. At all events, as I say, we cannot prove that the tariff is responsible for all our troubles down here, but I submit that any fair-minded consideration of the subject will show that it is responsible for some of our troubles and under any national policy that is bound to be true.

THE CHAIRMAN: There is no doubt about this, Mr. Campbell, that a Province which is purely agricultural and some distance from an industrial market, does not receive the same benefit from the development of industry and the home market as areas that are closer to it. There is no doubt about that.

MR. CAMPBELL: Now, my Lord, with your permission, I will leave the other remarks to my learned colleague.

THE CHAIRMAN: Thank you.

HON. MR. CAMPBELL: My Lord and gentlemen, the last speaker has outlined in general terms the general factors or some of the general factors at least which place Prince Edward Island to some extent in connection with the other Maritime Provinces and no doubt to some degree in connection with the Western Provinces of Canada, in a somewhat unsatisfactory fiscal position, so far as the provincial Governments at least are concerned.

The next question which will naturally suggest itself to the Commission will be, assuming that Prince Edward Island's condition as a landless province and the failure of the proposal to remedy that situation, and assuming that the so-called National Policy of Canada having left this province, either as a Government or as a collection

of citizens of Canada, in an unsatisfactory fiscal condition, just what is the extent of the physical disability under which the province is labouring?

This leads us to a consideration of the part of the brief which is No. 5 and the subsequent portions which are numbered 6 and 7. Frugality and Taxation is the heading of the first of those divisions and the introduction to that section on page 29 of the brief indicates that Prince Edward Island as a province and its government as an entity have experienced very great difficulty in maintaining provincial solvency. It is in some ways to be regretted, I think, when we appear before Commissions of this kind or before the Dominion Government to make claims we have obtained or secured the reputation of being prosperous. When we go to Ottawa to get assistance for relief we are told there is no distress in Prince Edward Island, that we are a country of comparative prosperity, of smiling fields, abundant crops and happy citizens. That may be true to a certain extent, because when we are dealing with the province in general we do put our best foot forward and have put our best foot forward in so many respects, it is rather difficult to impress upon other bodies, such as the Dominion Government, or commissions of this kind, the actual thrift, the frugality and the conservation of resources which is really and absolutely necessary to enable the Government of the province to maintain its fiscal solvency. It is for that reason, gentlemen, that the Government of the Province approaches the whole problem of this Commission with what might almost be called an extreme degree of caution.

As my learned colleague has pointed out, we are not in what we consider a satisfactory fiscal position.

We have been forced to economize unduly. We have been forced to do without a great many services which have been enjoyed by other sections of Canada and those services which we have carried on we have maintained at a ratio of cost which is out of all proportion to similar expenditures elsewhere. And it is only in this manner that we have avoided insolvency. But although our situation in those respects is far from satisfactory, our balance of revenue and expenditure is so finely and nicely adjusted that we approach the whole problem with a great deal of caution, in the fear that any radical change or re-adjustment in financial relationships as between the Dominion and the province in general might upset that nice and fine adjustment of revenue and expenditure to the disadvantage of the province of Prince Edward Island. And almost any change which would be to our fiscal disadvantage as a province would be disastrous. We can only hope to maintain our solvency if we can maintain the frugality which has hitherto characterized our expenditures, and if we can maintain at the very least those sources of revenue which we at present enjoy.

This section which commences on page 29 is divided in detail into two classifications, the first of which, numbered (A), sets forth the various respects in which the province has curtailed her expenditures to the very minimum, in many respects below what might be called the standard of efficiency and below the standard of reasonable services which we should be able to provide. The other section (B), sets forth in detail the manners in which the provincial government from time to time has exploited every reasonable or feasible method of raising revenue in the province.

Under (A), possibly at the risk of wearying the

members of the Commission, I think some stress should be laid upon the individual divisions of that section, -

THE CHAIRMAN: Take all the time you feel necessary. We want to hear it fully.

HON. MR. CAMPBELL: Thank you, my Lord. In the first place Prince Edward Island has no Mothers' Allowances.

In the second place we have no technical education.

In the third place, until recent years the

Province was able to spend practically nothing on hospitalization, or public health services.

A public health service was started in 1931, but up to the present the sum which the Province has been able to spend on these services is entirely inadequate to the needs of the situation.

THE CHAIRMAN: You have a public hospital here in Charlottetown?

HON. MR. CAMPBELL: There are two in Charlottetown, one in Summerside and one in Montague.

THE CHAIRMAN: How are they maintained?

HON. MR. CAMPBELL: They are maintained in the first place by charges to the patients, and in the second place by voluntary contributions and donations, and in the third place to a small extent by Government contributions. At present I believe we contribute a total of \$10,000 to the four institutions.

COMMISSIONER SIROIS: Are they privately owned?

HON. MR. CAMPBELL: I would hardly call them privately owned, they are managed by trustees, they are really charitable institutions.

THE CHAIRMAN: Are they civic or religious denomination?

HON. MR. CAMPBELL: No, one is a religious, one of them is owned by the organization of the Roman Catholic

Church. The others are general public institutions managed by trustees.

COMMISSIONER DAFOE: Is there any organization such as the municipalities in the Western Provinces that guarantee the cost of treatment for an indigent patient?

HON. MR. CAMPBELL: No, the only way that is taken care of is by Government grants. We pay, I think it is, \$10,000 to the poor institutions and I believe also the cities and towns make certain grants to the local hospitals.

COMMISSIONER DAFOE: But there is no assurance of a grant covering a particular individual?

HON. MR. CAMPBELL: No, there is no assurance of that. That is a very necessary service which we would be glad to provide if funds were available.

THE CHAIRMAN: What is done then in some rural community if a person is very ill and needs hospital treatment, say, an operation? Is there any arrangement whereby that person can be taken to the hospital and the operation performed in case he is not able to pay for it himself?

HON. MR. CAMPBELL: Well, I do not think he would be refused the treatment in a case of that kind and it is no doubt the general intention of the Government grant to reimburse the hospitals to a certain extent at least for that type of service. But the difficulty is that the sum is entirely insufficient to provide adequately for the service.

I may say at this point, gentlemen, that in order to give the Commission the best possible detailed idea of the financial standing of this Province we have drawn up what might be termed a minimum model budget and we have not placed that in the appendix; but we have incorporated

it in the body of the brief, feeling that the material which is there submitted is really the gist of our presentation before this Commission. That is contained at page 37 and the following pages of the brief. It is not intended to be an ideal budget in any way. It is intended to set forth those expenditures which would represent the absolute minimum of reasonable public services and in order that the commission may obtain a still better idea of the relation of such a minimum model budget to our present financing, we have set out on the same basis of calculation the public accounts of 1936 at page 59, the schedules appearing there, not as they appear in our public accounts but ---

COMMISSIONER SIROIS: Page 59?

HON. MR.CAMPBELL: Yes. Some of the advance copies of the brief I believe did not contain these schedules.

THE CHAIRMAN: You were going to explain that this was in accordance with your public accounts?

HON. MR.CAMPBELL: It is not in the form in which it appears in our public accounts but it has been translated, as it were, into the form suggested by the Commission's financial questionnaire. Now, the minimum model budget is in the same form, so that the items of the minimum model budget appearing on page 37 and the items of the 1936 financial statement appearing at page 59 will be readily comparable.

THE CHAIRMAN: We have now reached the hour of adjournment. We will perhaps look these over in the meantime and you can develop that further in the morning.

HON. MR.CAMPBELL: Yes, that is a very convenient time to break the argument.

THE CHAIRMAN: Mr.Campbell, might I ask a question here? We are going to give you all the time you feel

required for the hearing here. I was wondering whether you thought the hearing would be satisfactorily concluded tomorrow or whether we should also sit Saturday morning? It is only a question of arranging accommodation.

HON. MR.CAMPBELL: I should be very much afraid, my Lord, to guarantee that we would finish tomorrow. I think it would be much safer to count on sitting on Saturday morning at least.

THE CHAIRMAN: That is all right, thank you. And, Mr.Campbell, before we leave,it is noticed, I am not sure whether it is in your brief or in the board of trade brief, reference to Maritime union. We would be glad to have an expression of opinion from you on that.

HON. MR.CAMPBELL: I do not think there is any reference in our brief.

THE CHAIRMAN: Then, before we leave, we would be glad to have your opinion. The question has been raised elsewhere, first raised in the Maritimes, but also elsewhere, as to whether Governmental expenditures in the Maritimes could not be substantially reduced by Maritime union, and I would like to have the benefit of your view on two points: First, is that view correct? Do you think there might be any substantial saving in Governmental expenditures? And secondly, whether you think so or not, do you think such a union is practicable, because there may be some things that may appear to be more economical than others and yet there may be obstacles which render it impracticable. I would like your view on both points before we leave.

HON. MR.CAMPBELL: I would be glad to submit our view on both points.

MR.STEWART: My Lord, the brief of the Charlottetown Board of Trade has not yet been put in as an exhibit.

I suggest that should be marked exhibit 160.

THE CHAIRMAN: Yes, that will be exhibit 160.

EXHIBIT NO. 160 : Brief submitted by
Charlottetown Board
of Trade.

(The Commission adjourned at 4:30 P.M.
until 10:30 A.M. Friday, February 11th, 1938)

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

~~HEARINGS~~
REPORT OF PROCEEDINGS

FEB 11 1938

REPORTERS:

George Thompson
John Robertson
David Torry



CHARLOTTETOWN, PRINCE EDWARD ISLAND, FEBRUARY 11, 1938

LIST OF REPRESENTATIONS BY THE PROVINCE OF
PRINCE EDWARD ISLAND

Page

HON. THANE A. CAMPBELL,

4452 - 4568

CHARLOTTETOWN, PRINCE EDWARD ISLAND, FEBRUARY 11, 1938

LIST OF EXHIBITS

Page

Exhibit 161:	Brief submitted by Prince Edward Island	4491.
Exhibit 161A:	Summary of succession duties	4491-A
Exhibit 161B:	Detailed calculation re Succession duties prepared by D.F.Archibald	4492

CHARLOTTETOWN, PRINCE EDWARD ISLAND, FEBRUARY 11, 1938TOPICAL INDEX

	<u>Page.</u>
<u>CAMPBELL, HON. THANE A., K.C.</u> (Premier of Prince Edward Island)	
Proposal for capitalization of subsidies	4453
THE CHAIRMAN: Relief of fiscal need of P.E.I. through capitalization of subsidies	4454
Importance of setting up a national grant or loan council	4454
THE CHAIRMAN: Danger of the basis of fiscal need becoming an established principle	4455
The National Policy	4457
THE CHAIRMAN: Consideration of the effect of federal tariff policy	4459
Restricted educational expenditures in P.E.I.	4459
THE CHAIRMAN: Standard of education in P.E.I.	4460
Minimum standards of qualification of teachers	4460
THE CHAIRMAN: Requirements for teachers' certificates in P.E.I. and Nova Scotia	4461
Third class teachers' licenses	4461
THE CHAIRMAN: Training of teachers at Prince of Wales College	4461
Teaching profession ill paid throughout Canada	4461
Schedule of teachers' salaries	4462

CAMPBELL, HON. THANE A. (CONT'D.)

THE CHAIRMAN:

Board paid by rural
school teachers

4462

Lack of experienced
teachers in P.E.I.

4463

Grants for education

4464

THE CHAIRMAN:

Responsibility of
the province for
education; provision
for education in
provincial general
budget

4464

Granting of federal
subsidy for one
specific purpose

4464

4465

Dominion responsibil-
ity for education;
responsibility for the
administration of
justice

4465

Amendment of B.N.A.
act in regard to educa-
tion

4465

Imposition of condit-
ions on Dominion
grants for education

4466

COMMISSIONER DAFOE:

Possibility that the
distribution of a
special continuing
grant for education
would become a pol-
itical issue

4466

THE CHAIRMAN:

Basis of grant for
education

4467

Difficulties involved
in "earmarking" grants
for education

4468

COMMISSIONER ANGUS:

Reduction of expenditures
for education during a
depression in order to
maintain other services

4471

Additional revenue
required for general
education

4472

CAMPBELL, HON. THANE A. (CONT'D.)

THE CHAIRMAN:

Distinction between
grants for general
education and grants
for agricultural and
technical education

4472
4473

Economy in expenditure
in P.E.I.; public
health services

4474

THE CHAIRMAN:

Overlapping in
provincial and Dominion
Departments of
Health; discontinuance
of Dominion Department
of Health in P.E.I.

4474
4475

Juvenile delinquency
and Child Welfare

4475

Old Age Pensions

4476

COMMISSIONER DAFOE:

Establishment of
maximum rate for old
age pensions in
Saskatchewan

4477

Low salaries of provincial
public servants

4477
4478

THE CHAIRMAN:

Question as to how
long the scale of salaries
for provincial
public servants has
been in force

4478

Greater responsibilities
of public servants
in other provinces

4479

COMMISSIONER DAFOE:

Cost of direct relief;
unemployment relief
projects

4480
4481

THE CHAIRMAN:

Harbour improvement
work as an unemployment
relief project

4480

Expenditures by P.E.I.
authorities for relief

4481

Cancellation of Dominion
loans in other provinces;
refunding of P.E.I. relief
expenditures by
Dominion Government

4482

CAMPBELL, HON. THANE A. (CONT'D.)

THE CHAIRMAN:

Application of the principle of fiscal need to the question of Federal refunding of P.E.I. relief expenditures	4482
--	------

Financial situation in the western provinces	4483
--	------

Agricultural conditions in P.E.I.	4484
-----------------------------------	------

THE CHAIRMAN:

Findings of the White Commission and Duncan Commission	4486
--	------

Effect of direct relief on morale of recipients	4486 4487
---	--------------

Exploitation of sources of revenue in P.E.I.	4488
--	------

THE CHAIRMAN:

Income Tax	4488
------------	------

Income tax exemptions	4488
-----------------------	------

THE CHAIRMAN:

Class included under the heading "Dependents"	4488
---	------

Income tax rates	4489
------------------	------

Collection of provincial income tax by Dominion Government	4489
--	------

COMMISSIONER DAFOE:

Introduction of income tax in P.E.I.	4490
--------------------------------------	------

Succession duties	4491
-------------------	------

Detailed calculation prepared by Mr. D.F. Archibald re succession duties	4491
--	------

THE CHAIRMAN:

Relative position of provinces in regard to succession duties	4492
---	------

Revenue raised from succession duties	4492
---------------------------------------	------

Amusement tax	4494
---------------	------

CAMPBELL, HON. THANE A. (CONT'D.)

Gasoline tax	4494
THE CHAIRMAN: Estimated succession duties in model budget and in calc- ulation prepared by Mr. Archibald	4495
Succession duties on \$10,000 estate	4496
Exemptions for children under age and widows	4496
Gasoline tax	4497
Tax on chain stores; chain theatres; pedlars	4498
Personal property tax	4498
THE CHAIRMAN: Assessment of a good 100 acre farm	4499
Tax on real property a duplicate tax	4500
THE CHAIRMAN: Low rate of tax on real property	4500
Incidence of property tax on poorer classes	4500
THE CHAIRMAN: Payment of income tax by farmers	4500
Difficulty in collecting provincial land tax	4501
Statute labour	4501
THE CHAIRMAN: Requirement of statute labour from farmers	4501
Personal Road Tax	4502
Horse Tax	4502
Dog tax	4502
COMMISSIONER DAFOE: Rate of dog tax	4503
Taxation of insurance companies	4503
THE CHAIRMAN: Estimated deficit, 1938	4504

CAMPBELL, HON. THANE A. (CONT'D.)

COMMISSIONER SIROIS: Skunk bounty	4504
THE CHAIRMAN: Porcupine bounty in New Brunswick	4505
COMMISSIONER SIROIS: Deficit shown in model budget	4505
COMMISSIONER DAFOE: Expenditures necessary to meet needs of the province as shown in model budget	4505
THE CHAIRMAN: Fisheries	4506
COMMISSIONER SIROIS: The phrase "wholly with- in the jurisdiction of the Dominion" with reference to fisheries in P.E.I.	4506
Provincial organization of fisheries	4507
THE CHAIRMAN: Importance of fisher- ies in P.E.I.	4507
COMMISSIONER SIROIS: Decline in total net production of fisher- ies	4507
THE CHAIRMAN: Estimated number of persons engaged in fishing	4508
Transfer of public services from the province to the Domin- ion	4508
Figures in connection with fisheries	4511
Assumption of adminis- tration of old age pensions by the Dominion	4512
Act passed in 1931 pro- viding for old age pen- sions scheme in P.E.I. in collaboration with the Dominion Government	4513
Annual cost of old age pensions in P.E.I.	4515

CAMPBELL, HON. THANE A. (CONT'D.)

COMMISSIONER MACKAY:
Questions with regard
to system of condition-
al subsidies

4515

Dominion administration
of a Mothers' Allowance
scheme

4516

THE CHAIRMAN:
Mothers' allowances
a matter for local
administration

4516

Administration of hos-
pitalization and public
health services by the
Dominion

4516

THE CHAIRMAN:
Hospital services a
municipal or provin-
cial matter

4517

Administration of Unem-
ployment Relief by the
Dominion Government

4517

THE CHAIRMAN:
Question as to whether
Dominion administration
of Unemployment Relief
would be more economical
than local administration

4517

Labour legislation

4518

COMMISSIONER MACKAY:
Assumption by the
Dominion of poor relief

4519

As to whether municipal
relief expenditures would
increase if they were
relieved of financial
responsibility

4519

4520

COMMISSIONER DAFOE:
Advocacy of the reduct-
ion of responsibility
of municipalities for
relief by the Unemploy-
ment Commission

4520

THE CHAIRMAN:
Probability of the unem-
ployment situation last-
ing longer under Domin-
ion administration of
relief

4521

Transportation and
freight rates; Maritime
Transportation Commission

4522

CAMPBELL, HON. THANE A. (CONT'D.)

Transfer of succession duties and income tax from the province to the Dominion	4523
Administration of Justice	4527
THE CHAIRMAN: Taking over of old Court House Building in Charlottetown by Dominion	4527
Overlapping between Dominion and provinces in administration of justice	4528
Liquor control laws	4528 4529
Customs and Excise Act	4529
COMMISSIONER MACKAY: Prosecution under Customs Act brought by Customs officers	4529
Violation of Fisheries Regulations	4530
THE CHAIRMAN: Enforcement by same officers of the Fisheries Regulations, Customs Act and Criminal Code	4530
Enforcement of Customs and Excise Act by Dominion authorities	4532
Provisions in the Criminal Code relating to highway driving	4533
COMMISSIONER MACKAY: Dominion code for highway driving	4533
General enactment with respect to intoxicating liquor by Dominion with measure of local option for the provinces	4534
Question of remissions	4535
Penal reform	4535
THE CHAIRMAN: Report of Commission on Penal Reform	4536
Administration of liquor laws	4536

CAMPBELL, HON. THANE A. (CONT'D.)

THE CHAIRMAN:

Amendment to the
B.N.A. Act clarifying
meaning of criminal
law 4537

Enactment of highway
traffic laws by Dominion 4537

THE CHAIRMAN:

Decision of House of
Lords drawing distinction
between different types
of criminal negligence 4538

Adequacy of amendment
to Criminal Law re
criminal negligence 4538
4539

Extension of the scope
of the Dominion juris-
diction over criminal
law 4539

Maritime Union 4545
4548

THE CHAIRMAN:

Raising of the ques-
tion of union in
western provinces 4545

Increasing Dominion
grants to P.E.I. 4548

Improvement of
Dominion finances 4548
4549

THE CHAIRMAN:

Problem of public
debt 4549

COMMISSIONER SIROIS:

Question as to whether
Prince Edward Island's
one time opportunity to
have become a smuggling
base considered as a
basis for compensation 4550

STEWART, J. MacGREGOR: Examination of Mr.
Campbell

Loan for land purchases 4551

THE CHAIRMAN:

Loan for land
purchases wholly a
P.E.I. transaction 4553
4554

Effect of National
Policy on P.E.I. 4554

CAMPBELL, HON. THANE A. (CONT'D.)

THE CHAIRMAN:

Confederation not
responsible for the
National Policy

4555

School system

4556

Mothers' Allowances

4558

Technical education

4559

Unemployment relief
projects

4560

Forms of taxation

4561

THE CHAIRMAN:

Source of revenue in
succession duties
levied on shareholders
of domiciled companies

4563

Treatment and preven-
tion of tuberculosis

4563

Health services in
respect of cancer

4564

Health insurance

4564

Overlapping administrat-
ive costs in connection
with old age pensions

4564

Labour legislation

4565

Transportation

4565

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

 CHARLOTTETOWN, PRINCE EDWARD ISLAND, FEBRUARY 11, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Supreme Court Building, Charlottetown, Prince Edward Island on Friday, February 11, 1938, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS)	
JOHN W. DAFCE, Esq.)	Commissioners
DR. ROBERT ALEXANDER MacKAY)	
PROFESSOR HENRY FORBES ANGUS)	

Commission Counsel:

James McGregor Stewart, Esq. K.C.

Secretariat:

Adjutor Savard, Esq.	Acting Secretary
R. M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the Secretary

FOR THE GOVERNMENT OF PRINCE EDWARD ISLAND:

Hon. Thane Campbell

Premier

Court House,
Charlottetown, P.E.I.,
February 11, 1938.

MORNING SESSION.

The Commission resumed at 10.30 A.M.

THE CHAIRMAN: We will hear from the Hon. Mr. Campbell.

HON. MR. CAMPBELL: Your Lordship, and Gentlemen of the Royal Commission, starting another day I think it might not be amiss to recapitulate very briefly the position stated in our presentation yesterday. In the first place, with regard to the proposal which has been made as to capitalization of subsidies, while, we are not primarily interested in that suggestion, we feel that it might be of considerable benefit to certain of the provinces, and to the Dominion as a whole. We are, therefore, prepared to endorse that proposal on the conditions mentioned in our submission.

The members of the Commission may notice that the brief does not contain any detail of the manner in which that submission will fit into our other claims, as they might be called. Possibly the suggestion raised by the press this morning will indicate a question along that line, which might arise in the Commission's mind; namely, as to whether that is an alternative suggestion or whether that suggestion would be in addition to our other submissions. The answer is difficult to give in a single sentence, because the exact benefits which this province or any other province might obtain from the carrying out of a suggestion of that kind would depend on a great variety of circumstances; for instance, the rate at which the capitalization took place, and the rate of interest which ^{would} be paid to this province on our surplus so established. We, therefore, consider it rather futile

to make any calculation, as any calculation which we might make would be upset by a change of either of those rates, or by a change in other circumstances in connection with the carrying out of the scheme. So that the most which I will be prepared to say along that line is that any benefits which the province might derive from a scheme of that kind would be alternative pro tanta to our other submissions on the basis of fiscal need.

THE CHAIRMAN: That is, if there were fifteen million to your credit at three per cent and you received interest of \$450,000, that would relieve your fiscal need to that extent.

HON. MR. CAMPBELL: Not altogether to that extent, my Lord, because we should lose our existing subsidy. It would relieve our fiscal need to the extent of the benefits accrued less the amount of the subsidy which we should lose. To put it more specifically, our fiscal need would be relieved to the extent of the interest which we should receive on the surplus, plus the relief which we should obtain from the payment of interest on sinking funds, minus the present amount of our subsidy. But, in any case, it would be impossible that the relief obtained by a proposition of that kind would entirely balance our present fiscal need, and the remainder of our fiscal need, which would stand over after any benefits accruing from such a capitalization, would require to be met in the manner which we have suggested, by additional subventions. And for that reason it would be very important that a grant or loan council on a Dominion wide basis should be set up.

As pointed out yesterday, whether or not the scheme of capitalization of subsidies, with its possible corollary of Dominion assumption of the residue of the debt of certain

provinces is carried into effect, in any case we strongly urge the establishment of a loan or grants council, or something of that sort, which in the future will possibly control to some extent the financial arrangements between the Dominion and the province.

THE CHAIRMAN: Just one question on that point of fiscal need. I have no doubt the arguments are quite strong that fiscal need has, in the past, constituted the basis for ^{the} making, if not loans, of grants to the provinces; but, is there not a danger of establishing that as a principle? Would not the inevitable tendency be, first, that there would be a competition between the political parties in the province, demanding that an application should be made to the Dominion because some work or service should be done. If one party did not do it the other would seek to gain power because of their failure to do it, and would not the result be a constant competition between provinces urging additional grants? I am just raising the question to get your view on it.

HON. MR. CAMPBELL: That is undoubtedly correct, your Lordship; there would be a danger. But, my answer to that question would be two-fold; in the first place, I feel that the danger would be minimized by the establishment of a grant and loan council. I feel that the provinces, in cooperating and collaborating in the work of such a council, would arrive at a consciousness of the necessity of keeping their expenditures within the lowest possible, reasonable scope.

In the second place, I feel that the danger would really be less with a systematic arrangement of that kind than it has been in the past. While the principle of fiscal need has not been overtly recognized, I think it has been tacitly recognized as an underlying principle,

and it seems to me that the vicious part of Dominion-Provincial relationship in the past has been the settlement by the Dominion of various claims of one province or another province behind the backs of the remainder of the provinces. I believe that if the whole of the provinces were represented in some organization, such as a grant, subvention, and loan council, that the dangers of an overt recognition of fiscal need, which has already been tacitly recognized, would be really minimized. I think the provinces on the whole are desirous of keeping their expenditures down to the minimum. Some possibly have not expressed that in actions so effectively as others, but I think that is really the desire; and I think that the establishment of some systematic basis would greatly conduce to an extension of economy.

THE CHAIRMAN: We were told in one province that the government of the day desired to do that, but that the opposition said; "We need highways, we should borrow money for highways," and the government which resisted that appeal was defeated and another government came in, which borrowed heavily for highways, and therefore developed a fiscal need.

HON. MR. CAMPBELL: There is no question about that, my Lord, that has happened in the past to a marked degree without any overt recognition of the fiscal need. I really think that the actual recognition of the principle of fiscal need, which, as I say, has already been tacitly recognized, coupled with the arrangement of some national control would minimize rather than exaggerate the danger of the principle of fiscal need.

So that the conclusion from our suggestion as to capitalization is that it would not relieve altogether our fiscal need, but it would, according to its working

out, relieve it pro tanta, and it would therefore be an alternative suggestion pro tanta.

In regard to the effect of the national policy, and such questions, on this province, actual Dominion policy on the question of tariffs, I presume ^{it} is not definitely within the scope of this Commission, except in so far as it may give rise to a certain situation in one or more provinces. But, in the course of the discussion in one or the other provinces, I noticed that your Lordship and other members of the Commission opened the door, to a certain extent, in that direction.

THE CHAIRMAN: We must have made a great mistake.

HON. MR. CAMPBELL: I do not think it was a mistake at all, but I do think it gave a province possibly an opportunity to state their position on a point which is important and interesting, but which might not otherwise have been relevant. I refer to the question propounded by your Lordship as to the assumption, or the argument, by certain provinces that the so-called national policy is of benefit to a certain restricted area of Canada, and of disadvantage to other provinces and areas; and asking, therefore, the natural question; why these larger areas which have at times, no doubt, held control of the fiscal policies of the Dominion, have not remedied the situation. Well, my answer to that question would be something to the effect of the remark made by the Honourable Norman Rogers in parliament the other day. He said that the national policy, although it may not create a great many disadvantages in different portions of Canada, it has, at the same time, created a certain industrial condition in Canada which, as a result of the national policy, is based and founded upon a very delicate adjustment, and to sweep away at one stroke or even at a number of

strokes, in any sudden manner, the foundations upon which our present industrial structure is built would be, to say the least, dangerous and disastrous to that industrial structure. And, therefore, although at times political parties and sections of political parties have professed themselves as being in favour of drastic reductions in the tariff provided by the national policy, when they have come to power at Ottawa they have seen that reforms of this kind must be affected with great caution. The result has been that while low tariff policies have been in power at Ottawa, reductions in tariff have been gradual, and the term of office has not been very long in any case and therefore political reasonings have led to changes of government at Ottawa, with resulting changes in policy. For that reason I think it is clear that the result has been a sort of see-saw; the tariff tending upwards during certain periods and tending downwards during certain periods. And, I think the real reason why these situations cannot be remedied at once or cannot be remedied effectively at all is that the fine adjustment of our industrial structure prevents any drastic or sudden change.

I think, -- and I may be expressing the political viewpoint of one party in this matter, -- but my own idea is, and I think it is shared by a good many Dominion statesmen, that there is room within the corners of the national policy, and from the Dominion viewpoint, for a great deal of adjustment and improvement. But, that must be affected with a great deal of caution and without any sudden or drastic removal of the foundations of our industrial structure. That, as I say, is really a matter which must necessarily remain solely within the jurisdiction of the Dominion Government. It is fundamentally the basic problem of Dominion legislation and Dominion

administration, and anything which the provinces may say in regard to that is really rather irrelevant. But the relevance of the discussion of the national policy from our point of view, from the provincial point of view, is as was stated by my colleague yesterday; the actual effect of that policy upon Prince Edward Island as a province, and the position in which we find ourselves fiscally as a result of the Dominion policy.

THE CHAIRMAN: Mr. Campbell, just before passing from that, to prevent any misapprehension, the question was not raised by the Commission. The question arose in the western provinces by reason of the submissions of the province of Manitoba and the province of Saskatchewan, in which they argued for a reversal of the federal tariff policy, urging that it was a press upon those provinces. I pointed out to them that this Commission had nothing to do with the tariff, that it was a question of policy for the government and parliament of Canada. It was, however, within the scope of our reference to consider the effect of it; if it could be shown that portions of the country suffered more than others, or benefited less, ^{it} and affected their capacity to pay taxes, because we have to consider the whole question of taxation, whether it is equitable and fair.

HON. MR. CAMPBELL: I think, my Lord, that is a very proper statement of the function of the present commission in relation to the tariff. I entirely agree with your Lordship's interpretation.

We have endeavoured to show that particularly in the realm of educational expenditures this province, by reason of the detrimental effects of the Dominion tariff policy, has been unable to make such expenditures as are reasonable and proper and actually necessary in the sphere of education.

THE CHAIRMAN: Mr. Campbell, is your educational system better or worse than it was a few years ago? I mean, are you maintaining or improving your standards of education, or is education slipping. I was just wondering what is the general situation.

HON. MR. CAMPBELL: I would be rather afraid, your Lordship, to state that our educational standards have been maintained. Possibly the opportunities have ^{been} extended to a greater number, at present, than they were thirty or forty years ago. I think that is rather due to the development in transportation, and other standards of living, rather than to any advance in our educational system itself. But, as to educational standards apart from a few of the central institutions, I am doubtful if they have been maintained. They may have been extended a little more, but it is doubtful if the standards have been maintained. It may be interesting to your Lordship and the members of the Commission to know that the requirements which we have been able to set up as a standard, the minimum standard of qualification of a teacher in the public schools of ^{the} province, requires a teacher to spend only one year in study in advance of the students in the grades which he may be afterwards required to instruct. What is known as a second-class teacher's license is normally granted to a student who is successful in the first year of Prince of Wales College, which is one year in advance of the highest grades of the ordinary public school.

THE CHAIRMAN: How do your requirements for teachers' certificates compare with those of Nova Scotia?

HON. MR. CAMPBELL: I am not quite familiar with the requirements in Nova Scotia, but I believe that they require an additional year's training for the minimum

standard. And I think that that should be our minimum standard. The second class teacher is not even a minimum standard here. It was intended to be, but the practice has crept in of granting a sort of conditional licence, or temporary licence, which is given as the third class license, and there are a great many teachers in the country schools who have not even one year's successful study in advance of the ordinary public school grades.

THE CHAIRMAN: Do they have any particular training force for teachers in Prince of Wales College?

HON. MR. CAMPBELL: Yes, my Lord, but normally in one year's total training the amount of teacher training is necessarily fairly restricted. If we were able to offer to the teachers sufficient financial inducement to enable us to raise the standards so that two year's training would be the minimum, a great deal more of what might be called teachers with normal training could be employed on the whole. That is the difficulty under which we are labouring, and I think the members of the Commission will see from the scale of average salaries paid to the teachers that they really cannot be expected to spend a great deal of time and expense in their preparation.

THE CHAIRMAN: I think it is unfortunately true all over Canada; at least, it is my own personal view that the teachers, particularly in the public schools, are paid less for their services than almost any other class which is required to undergo professional training. I think it is general all over the country.

HON. MR. CAMPBELL: I think it is more true here, the difference being actually that in some provinces, the western provinces particularly, that situation now arises in view of the emergency conditions which have arisen during the last five or six years. In Prince Edward Island

we have managed to maintain the standards of our teachers' salaries to what they were before the depression, but it is a situation which in this province has maintained over a long period of years.

On page thirty, the schedule is given of the salaries of teachers. First class teachers, male, \$697; first class teachers, female, \$601; I may say this includes the city and rural districts. If the rural districts were taken alone, the average salaries would be shown as considerably smaller. Second class teachers, male, \$493. Second class may be taken as the standard, because the third class teacher is really more or less under a temporary conditional license. Then, second class teachers, female, \$445; third class teachers, male, \$400; third class teachers, female, \$368. Now, taking the second class teacher as a standard, \$493.00 for a male and \$445 for a female, the commission will see that there is not much inducement to a person to enter the teaching profession.

THE CHAIRMAN: What would the rural school teacher have to pay for board?

HON. MR. CAMPBELL: For board as a teacher?

THE CHAIRMAN: Yes.

HON. MR. CAMPBELL: I suppose it would vary from four to six dollars a week, perhaps.

THE CHAIRMAN: One could hardly expect them to pay \$6.00 a week.

HON. MR. CAMPBELL: No, \$6.00 would be high in the rural districts. It would be four or five dollars.

At the bottom of page 23, my Lord, some idea is given of the situation in regard to teachers. Taking the year 1936 as a standard, \$476 schools employed \$657 teachers. Now, the number of schools may strike the commission as

somewhat high. I may say that experiments have been made in consolidation, but they have not been successful. The country districts are so scattered and the population is not consolidated in villages the way it is in a great many sections of the country, that any effort to consolidate the lower grades, at any rate, has met with little success. I have an idea that a scheme might work out whereby the upper grades of the primary schools might be concentrated by a system of grammar schools, as they used to be called, but that would involve a certain amount of additional expense, and the whole problem comes back to a matter of finance. Of the 476 schools, 413 were one room rural schools.

THE CHAIRMAN: I think, Mr. Campbell gave us those figures yesterday, did he not?

HON. MR. CAMPBELL: Possibly, my Lord, to a certain extent. Then, down at the bottom of the page the result of the inadequacy of teachers' salaries, is again illustrated. Of the 657 teachers in 1936, 120 were beginners. I think in good times the proportion would probably be even larger than that. Teachers in good times, when other employment is plentiful and better remuneration is received, are ^{shorter periods} unlikely to stay in the teaching profession for/ than in times of depression. A teacher getting into the teaching profession during the times of depression is more likely to stay. Well, there were 120 beginners; there were only 100 with one year's experience, making 220 with less than two years experience. One hundred and forty-four had from five to ten years experience, while only 118 had taught 10 years or more. That 118 fairly well represents the number who are making a profession of it.

At this point, while we are on the subject of education, your Lordship and the members of the Commission will

probably notice that the minimum model budget provides an additional necessary expenditure on education of approximately \$200,000. Of this amount approximately \$133,000 would be devoted to the increase in salaries and standards of teachers in the primary schools. As the Canadian Teachers' Federation and the Teachers' Federation in this province have well expressed it, I think that any grant or subvention which might be made by the Dominion government for the assistance of this province, or any other province, in this respect, should be specially designated so that it would be spent on educational purposes, and educational purposes only.

THE CHAIRMAN: Do you not think that would give rise to considerable difficulty? Should not the province feel their own responsibility under the Act for the operation of the schools? Should not the province do everything possible to see that a good education is provided, and should they not do it out of their general budget? If there is any increase should it not be an increase in their general budget?

HON. MR. CAMPBELL: I think that would be the ideal situation, my Lord, but --

THE CHAIRMAN: But, is not the effect of your argument this: that the province cannot be trusted to provide adequately for education out of their revenues, therefore any grant would have to be earmarked for that purpose.

HON. MR. CAMPBELL: No, my position would be this: that the provinces are unable to provide adequately,

THE CHAIRMAN: You say "earmarked for education". Should the dominion grant a subsidy especially for one purpose? I am not speaking of conditional subsidies, because you have said this is something which should be permanent. If there must be an increase, could it not be

an increase of the general subsidy, and should not the province feel itself responsible to make adequate provision for education. Are you not diminishing the province's sense of responsibility if you earmark the subsidy for a particular purpose? I just want to get the benefit of your view on that.

HON. MR. CAMPBELL: Possibly it would be diminishing the province's sense of responsibility, but the argument on the other hand is that there is a Dominion responsibility.

THE CHAIRMAN: The dominion may not recognize that, in view of the expressed opinions of the B.N.A. Act. Let me illustrate it. Is there more Dominion responsibility for education than there is for the administration of justice? The Dominion enacts the Criminal Law; it is fundamental that law and order should be maintained, -- that those who are charged with criminal offenses should be prosecuted, and, if found guilty, should be duly punished. Yet, the Dominion does not intervene in that, the Province handles it entirely. I mean there are many subjects of legislation in which the province has full competence, in which the Dominion as a whole is deeply interested because they affect the welfare of the national life.

HON. MR. CAMPBELL: I am going on the assumption, my Lord, that the British North America Act would be amended to such an extent as might be necessary to recognize the Dominion responsibility.

THE CHAIRMAN: Do you think it can be amended in reference to education? I should think that is the last provision, except that relating to language.

HON. MR. CAMPBELL: It could be amended to the sense of recognizing the Dominion responsibility and the duty of the Dominion to contribute to the educational systems

maintained by the provinces.

THE CHAIRMAN: Then, the question would arise, should the Dominion impose conditions on Dominion Grants for that particular purpose? Should it not be unconditional? The moment the question of imposing conditions arises you will have a school controversy.

HON. MR. CAMPBELL: I think the conditions should be limited. Conditions should be limited to this: that the province should expend any grants of that kind in addition to the amount which they were already able to expend on education. In other words, I do not think the Dominion should say "This money shall be spent on this or that particular type of education." But, the Dominion should ensure that the province would not reduce the expenditures which they are already able to make on education. That is the only limitation which I think should be placed on any grants by the Dominion in that direction.

COMMISSIONER DAFOE: Mr. Campbell, in view of the history of political agitations over education in Canada, do you not think if a special continuing grant were made for education, earmarked for that purpose, that the question of its distribution, -- the parties to whom it would be handed out -- would become a very lively issue in Dominion politics?

HON. MR. CAMPBELL: You mean as between the provinces?

COMMISSIONER DAFOE: No. Money is being given to a province. It is money given for a purpose to which there would be objection in some parts of Canada. There would be an attempt to supervise, revise, object; claims would be made. I think it would be extremely dangerous, from my knowledge of how much fire can be kindled when the question of education comes into controversy.

HON. MR. CAMPBELL: There is certainly a question of it being kept out of controversy as much as possible, and there might be a certain amount of danger.

COMMISSIONER DAFOE: It seems to me that there might be a case of the province having larger money resources from some quarter, who would regard it as very doubtful that it should be earmarked for education. The question has too many possibilities of inflammation.

HON. MR. CAMPBELL: As far as the government of this province is concerned, we are not really interested in that phase of it. We really promote that at the suggestion of the Teachers Federation of Canada, and in this province; As far as this province is concerned we should be willing to undertake that any subvention which would be received for that purpose should be applied in the first place and solely for educational expenditure. But really the imposition of a condition by the Dominion does not interest us as a provincial government.

THE CHAIRMAN: You see, Mr. Campbell, - we are just asking these questions to develop the whole matter and get the thing as clearly as possible before us - what would be the basis of the grant to the provinces for education? Would it be the establishment of a uniform salary for teachers?

HON. MR. CAMPBELL: I am doubtful if we would claim even that we need a uniform salary.

THE CHAIRMAN: Well, what would be the basis?

HON. MR. CAMPBELL: I think the basis on that point is again on the question of the minimum fiscal need.

THE CHAIRMAN: Well, it is to be earmarked for education. Now, then, take the situation in Saskatchewan at the present time, where they are paying \$200. per teacher, - some not even getting that. Until times improve should Saskatchewan

be brought up to an average of five or six hundred? Quebec, in large sections, is paying \$200. in the smaller rural sections. Should that be brought up? It does seem to me to bristle with so many practical difficulties, - it raises so many issues.

HON. MR. CAMPBELL: I think, My Lord, those matters would have to be left to the province.

THE CHAIRMAN: The difficulty is there. If you say "for education", how do you determine the amount? If it is earmarked for education it must be on an examination of the educational needs of each province, and what is to be the standard that is to determine the educational needs of each province? How are you to deal with say the province of Quebec; a great deal of the teaching is done by members of the religious orders, at a very low salary. I am only pointing out the difficulties that come up in one's mind when one undertakes to say it should be earmarked.

I can quite understand the argument. You say " we have not sufficient money in this province, or in any province, to provide adequately for the provincial services, of which education is one of the most important; therefore, we should have additional funds." Now, on the other hand, I can understand the feeling of the teachers. It is a perfectly natural one. They feel that they are being underpaid and they would like to see the money earmarked in order to make it possible to increase the stipends. But is that not taking away from the provincial government its proper function, to determine how the money it receives should be distributed?

HON. MR. CAMPBELL: Yes, I can quite see that a great many problems would arise on an adjustment of that kind.

THE CHAIRMAN: Personally, I would like to see any Dominion grant devoted to education, because I am deeply interested in it, and I think the teachers are underpaid. But as a practical proposition it seems to present great difficulty.

(Page 4471 follows)

COMMISSIONER ANGUS: In the last ten years, a good many provinces have reduced their expenditures for education in order to maintain other services, pay interest on their debts and so on. If ten years ago the other provinces had had a Dominion grant, earmarked for education and carrying with it the condition that the expenditures on education must not be reduced, then when they went into the depression education would have been paid for as a fixed charge and all the strain of that would have been thrown against public debt or against public health or some other service. I can quite understand the Teachers Federation arguing that this would have been a good thing, a sound thing and very much in their interests, but I cannot quite understand a province arguing it should have its hands tied should such a situation arise.

HON. MR. CAMPBELL: There would have to be some elasticity in any arrangement of that kind. Any grant which was made would have to be made in view of our educational needs.

COMMISSIONER ANGUS: Don't the teachers have to look to you for protection?

HON. MR. CAMPBELL: We are quite willing to have them look to us.

THE CHAIRMAN: If they cannot be protected by the government of any province, isn't it a reflection upon the government of that province?

HON. MR. CAMPBELL: Partly a reflection upon the government of the province, my Lord, and partly a reflection upon the public, who, in turn, elected the government.

THE CHAIRMAN: It might be more of a reflection upon the public than on the government.

HON. MR. CAMPBELL: Perhaps, then, I may restate the position of the government of this province in this matter. We feel, and we think the submission of the province bears out the fact, that this province requires additional revenue of approximately \$200,000.00 for educational purposes. The government is willing to undertake to apply any revenue which may be obtained on that claim specifically for the purpose of increasing educational standards and salaries.

The reason that it was suggested this should be earmarked for general education and not for any specific type of education such as agricultural or technical, is that conditions vary in the different provinces. It is our belief that the province is best suited to determine what particular branch of education the grant should be applied upon. In answer to Professor Angus, it might be suggested that in times of depression, for instance, instead of reducing the expenditure on education for relief and other services, it might be diverted, the form of education might be varied in order that a greater amount of youth training might be undertaken or something of that nature.

COMMISSIONER ANGUS: And call it relief education?

HON. MR. CAMPBELL: Yes, education for the relief of unemployment.

THE CHAIRMAN: You would, in your position, Mr. Campbell, appreciate that there is a clear distinction between grants for general education and grants for agricultural and technical education. First, dealing with agriculture; this is one of the subjects committed

to the Dominion under the British North America Act. The Dominion has maintained agricultural colleges and has undertaken scientific research. One can quite understand the grants for agricultural education, as it might be suggested that they fall within the general field of agriculture. In connection with technical education, the Dominion is interested in trade and commerce. The Dominion has jurisdiction over trade and commerce and in order to improve the quality of goods and the capacity to produce for foreign markets, the Dominion has deemed it advisable to give assistance to the provinces in the development of technical education. I think each of these features has to be put on its own basis.

HON. MR. CAMPBELL: Yes, I think it should.

THE CHAIRMAN: And they all rest on the same principle of Dominion jurisdiction.

HON. MR. CAMPBELL: I think that is proper. I do not think the subject of grants for agricultural and technical education should be confused with a grant for general education. There have been grants at various times for technical education in this province, but more so, for agriculture. I understand that they have been discontinued within the last few years. The only arrangement of that nature which we now enjoy is the arrangement with the Department of Labour for the youth training; whether this is to be continued or not, is not known. I think some special provision should, from time to time, be made by arrangement between the provinces and the Dominion government to cover matters of this kind. However, I do not think it should be confused with the system

of general education.

I think when the Commission rose yesterday afternoon, I had commenced to mention in detail the two manners in which this province has, I think, avoided insolvency in the past. The first one mentioned was by drastic economy in expenditure and by doing what has been referred to by successive governments as, "Taxing everything tangible and intangible." I have pointed out that Prince Edward Island has no mothers' allowance, no technical education and a mere skeleton of a Public Health service. I do not think I need to elaborate on the public health side of the question. I believe the Commission understands the necessity of maintaining an efficient public health service. The service as at present existing, and the actual necessity of that service will be more fully dealt with upon the examination of the deputy minister.

THE CHAIRMAN: Perhaps you could give us your opinion on one point. It has been suggested to us that there is overlapping by reason of the fact that the Dominion maintains a department of public health as well as the province. Would it meet with this province's view if the Dominion were to discontinue its health service and leave it solely to the province?

HON. MR. CAMPBELL: I do not think so. I believe the Dominion facilities offer a scope which the province could not meet. This is true, particularly, in the experimental work, the finding of a cure for diseases and such related matters. I do not think it would be possible for this or any other province to perform the

functions which the Dominion now performs in this field.

THE CHAIRMAN: It would appear to be a perfectly sound view insofar as research and experimental work are concerned. It would be a saving of expense to have it done by one government rather than by nine governments.

HON. MR. CAMPBELL: It might be a saving in expense, but I do not think it would result in efficiency. Our suggestion, as will appear later, is for the extension rather than the curtailment of Dominion jurisdiction in public health matters.

In the fourth place, "Owing to the lack of revenue, the province has been able to touch only the fringe of the problems of juvenile delinquency and child welfare. Our annual appropriation for this matter in the last few years has been approximately \$4,500. The public council informs us that we have been exceeding that appropriation to a certain extent. I may briefly mention the manner in which the problem has been handled. Juvenile courts have been set up in Charlottetown and Summerside, and I think, recently in the town of Souris. I believe the town of Souris has undertaken to defray the expenses of those who are committed from its court. So far as Charlottetown and Summerside are concerned, the government bears the expense of maintaining those who are committed to industrial homes or reform schools in New Brunswick or Nova Scotia. We have been unable to establish any such homes here and there is really a very urgent need for such establishments. In this connection, as in other connections, I hesitate to make any detailed suggestion. I believe the report of the Commission on Penal Reform is to be made public. It is

my view there may be some valuable suggestions contained in this report along those lines. The Commission will see that the amount which we are able to spend on this particular item is entirely inadequate to meet the situation. The remainder of the towns within the province and the whole of the rural sections are entirely without juvenile courts and have no provision for the maintenance of delinquents who might be committed to reform schools. In fact, there is no machinery established, simply because we haven't the revenue to provide for their detention and maintenance.

The fifth suggestion is in connection with old age pensions. This province, as the Commission is no doubt aware, maintains old age pensions on the basis of \$180 per year as the maximum pension. In the other provinces which have inaugurated the scheme, the maximum pension is \$240.00. A reference to the figures for the year 1936, will show that the average monthly payment to pensioners in this province is \$10.63, whereas the average monthly payment in other provinces is considerably greater. The payments in other provinces, range, I believe, from \$13.50 in New Brunswick to \$19.20 in British Columbia. We should have been perfectly justified from a broad point of view in inaugurating our system on the same basis as the other provinces. In fact, if I am correctly informed, the provincial government of the day had a certain amount of difficulty in securing the Dominion government's consent to a modification of the agreement whereby Prince Edward Island could establish a minimum different from that in the other provinces.

Dr. MacMillan informs me that I am quite correct on that point, the Dominion government would have preferred to have the pensions established on a more uniform basis. However, this province insisted on a reduction of the amount, owing to the fact any additional payment would impose too great a burden on provincial revenues.

COMMISSIONER DAFOE: The right of the provinces to differentiate must have been recognized because the Premier of Saskatchewan informed us that Saskatchewan had established a maximum rate of \$15.00 in that province. I think it must have been quite recently.

HON. MR. CAMPBELL: I think they must have done so recently, I was not aware of it. It was with some difficulty that this province, and no doubt the province of Saskatchewan, persuaded the Dominion government to recognize the right of a province to differentiate. Our proposal on this point will appear at a later stage.

Item number six, refers to the school teachers, and I have already dealt with that question in a broad way.

Item number seven. The public servants of the province engaged in the various branches of the administration are employed at an excessively low scale of payment. This is a matter which is of considerable importance. We have been getting along and carrying on under difficulties, but the public servants are obviously underpaid. It is also a fact that the number of persons employed in the public service of the province has been gradually curtailed. I think that this condition has undoubtedly impaired the public service of the province.

We have been unable to extend this service in directions which are absolutely necessary and unable to perform the necessary public services with that degree of efficiency which is desirable. On page thirty of the Brief submitted by this province, a few instances of the scale of the salaries have been set out.

THE CHAIRMAN: How long has this scale been in force, Mr. Campbell?

HON. MR. CAMPBELL: It has been more or less uniform, I would say, for the last twenty years. There have been a few changes, but it varies very little one way or the other. The public service has been extended to a certain extent and probably a number of officers have been added to augment certain services, but the general scale has been more or less constant. If anything, during the past two years, the scale has been revised downward, due to the absolute necessity for balancing the budget, if possible. In that connection it may be interesting to note that during the year 1936, which is the last complete year for which a record is available, the expenditure exceeded the revenue by \$24,000.00. This attempt at a balanced budget was made, as I say, by the curtailment of public expenditure to a very large degree. This is particularly true with regard to highway maintenance. There was also the curtailment of a number of salaries of public employees to the greatest possible extent. I do not know whether there are any questions which the Commissioners would like to ask?

THE CHAIRMAN: You see, Mr. Campbell, as I pointed out in Nova Scotia, this is not a claims commission. This is a commission to deal with the financial relationship

between the Dominion and the provinces. Reference to these matters is relative, as I indicated in Nova Scotia, from the point of view that fiscal need should be the basis upon which subsidies are granted. It is also relevant to the fact that on the basis of fiscal need, your subsidy is inadequate. It is relevant in that sense, but we are not concerned with particular details except as illustrations of the principle which you are seeking to establish.

HON. MR. CAMPBELL: We are just showing that the expenditures actually made do not meet the necessities of the situation. I think it will be clear that the remuneration now paid public servants is far lower than that prevailing in other provinces. Even with the revised salaries provided by the model budget, you will see these salaries are still lower than those which prevail elsewhere.

THE CHAIRMAN: Of course, Mr. Campbell, I am sure you agree that you cannot ignore the fact that the duties and responsibilities of public servants in provinces which are more populous than yours are more arduous. You could not expect exactly the same salary to be paid in this province to, say, a deputy minister, that would have to be paid a similar official in the principal provinces, where the responsibilities are so much greater.

HON. MR. CAMPBELL: I quite agree with your Lordship on that point. We certainly should not ask for any such consideration, but I think the details of the model budget do not go to that extent.

THE CHAIRMAN: They are not based on what the other provinces have?

HON. MR. CAMPBELL: Not at all, they are based on what is considered the minimum reasonable standard for the actual needs of this province.

The next item is in regard to direct relief, section eight on page thirty-one. I do not think I need to go into that matter in any detail. It was strongly emphasized in the Brief and the representation made by the Board of Trade, yesterday.

COMMISSIONER DAFOE: Will you give me some information on the cost of direct relief in this province? Is this figure (on page 31 of the Province's Brief) the amount of direct relief contributed by the province, or did you only contribute a percentage of that amount?

HON. MR. CAMPBELL: That is the cost to the province?

COMMISSIONER DAFOE: You mean of direct relief?

HON. MR. CAMPBELL: Yes, of direct relief.

COMMISSIONER DAFOE: The unemployment relief projects to which reference is made on page thirty-one of your Brief, were they entered upon exclusively by the provincial government, or was the Dominion government a party and a contributor towards them?

HON. MR. CAMPBELL: The Dominion contributed towards some of them, but that is the net cost to the province which is shown on page thirty-one.

COMMISSIONER DAFOE: Some of the projects were exclusively provincial?

HON. MR. CAMPBELL: Yes, some of them were.

THE CHAIRMAN: It is too bad the Board of Trade did not get the harbour improvement work as one of these projects.

HON. MR. CAMPBELL: That would not affect the province; the figures shown at the bottom of page thirty-one, indicate the cost of direct relief to the province and in the case of the unemployment relief projects, the figures indicate the net expenditure of the province after the Dominion contribution was deducted. This is the net expenditure by the provincial government, It does not include the expenditure of the City of Charlottetown, or the other municipalities within the province. When I say the direct cost to the province, it means the cost to the provincial government.

COMMISSIONER DAFOE: Were these payments made out of revenues?

HON. MR. CAMPBELL: The direct relief payments were charged to the ordinary account, and some years there would be a deficit. The unemployment projects were capitalized.

COMMISSIONER DAFOE: I mean you did not borrow any money from the Dominion government?

HON. MR. CAMPBELL: No, we did not.

COMMISSIONER DAFOE: Either for direct relief or for the unemployment relief project?

HON. MR. CAMPBELL: No, and no part of the provincial cost shows what the city of Charlottetown has expended. The cost of direct relief to the city and towns was \$101,405.00. The majority of that expenditure would be spent by the city of Charlottetown. I imagine that they would spend between eighty and ninety per cent of that. The mayor informs me that it would be over ninety per cent which would be expended by the city of Charlottetown. This would be for direct relief, and in addition

to that, the city and towns spent a great deal of money for unemployment relief projects. These were municipal public works designed to relieve the unemployment situation. There has been no separate complete record kept of these projects, so I am unable to give any account of them. I am convinced that the figure would probably run close to three or four hundred thousand dollars, at least. I think that would be a very conservative estimate, it might run as high as half a million dollars. This money was spent by the city of Charlottetown and the various towns on a variety of unemployment relief projects. It is impossible to give any complete statistics because part of that figure would be the normal public works of the city and towns. The amount expended was greatly increased during these years for the purpose of providing employment which was not forthcoming in the normal routine of affairs. As I have already said, this province did not borrow any money from the Dominion government and we take the position, we do not know whether it is a proper request which has been made by some of the provinces, that the amounts loaned to them for this purpose should be cancelled. If such requests are considered proper by the Dominion government then we should be entitled to a refund by the Dominion of the amount which we have spent in the same manner.

THE CHAIRMAN: Applying your principle, wouldn't that apply in the way which you apply the principle of fiscal need, whether you need it as badly as the others do?

HON. MR. CAMPBELL: I must admit that principle, but

I think that would be included in subsection eight of part A of our fiscal need representation.

COMMISSIONER DAFOE: You believe you could meet the condition?

HON. MR. CAMPBELL: I believe we could meet both conditions.

THE CHAIRMAN: I should think there might be conditions existing in Saskatchewan and possibly Manitoba which, if put on a basis of fiscal need, might be substantially greater than in this province. We have not heard from all the provinces yet, but the financial condition of the west would indicate a most serious condition. So far as I am aware, the only condition which might parallel it would be that in the other prairie province which we have not visited, as yet.

HON. MR. CAMPBELL: Of course, that possibility is open through application of the principle which I have stated. However, I think any examination of our own condition will show we have a fiscal need equal to, if not greater than, any other province. I am afraid we get too much debit, as it were, for our apparent prosperity.

THE CHAIRMAN: I do not think so, Mr. Campbell.

HON. MR. CAMPBELL: I must insist, your Lordship and members of the Commission, that the conditions which are to be found here, particularly in certain portions of this province during recent years and especially the present winter, are anything but good. The necessity is very great in this province at the present moment, not only from the standpoint of the government's fiscal

need, but from the standpoint of this class of people who verge on the border of necessity.

THE CHAIRMAN: It is said that the next best thing to being rich is to be thought to be rich. I have no doubt you feel that the next worst thing to being rich is to be thought to be rich.

HON. MR. CAMPBELL: No, I would say what applies to our situation would be, the next worst thing to being poor, is to be thought to be rich. We are in the situation of the individual who is thought to be wealthy, and who is, in reality, just struggling along by means of frugality.

THE CHAIRMAN: Are you not placed in the position spoken of in the Scripture, "Neither poverty nor riches"?

HON. MR. CAMPBELL: I must say that certainly applies to the situation in this province. The agricultural situation in this province during the past eight years, has been peculiar. The good farmers of the province and even the average farmers of the province have been able to keep afloat, but the poorer class of farmers who were struggling along before the depression have been driven down below the surface altogether. It seems to be extremely difficult for them to reinstate themselves. The year 1936, was undoubtedly a good year for this province, it was the best year we have had for some considerable time, In that year, both the crops and the markets were very good. The crops are nearly always good in this province; it is very seldom we have a general crop failure. If the conditions in 1936 had been repeated in 1937, I think the agricultural situation in the province would have reinstated itself. Unfortunately,

1937 provided a setback owing to the climatic conditions of which your Lordship made mention yesterday and the absence of a satisfactory potato market. Potatoes are the cash crop of this province. It is difficult to estimate how long it will take the province to recover from this setback. As I say, the good farmers are not affected by these conditions very much. Those who had good crops, splendid livestock and the dairying industry to fall back upon, have managed to get along. The class of farmer who is liable to distress has suffered a great deal more than in any preceding year of the depression .

As a conclusion of section A of this part of our Brief, we have related not only our own observations, but we have set forth in the Brief the conclusions formed by the Duncan Commission, the Jones Commission and the White Commission on this point.

THE CHAIRMAN: You have a good reputation for economy as well as prosperity.

HON. MR. CAMPBELL: We hope this Commission will recognize our reputation not only for economy, but for thrift and even frugality. I think frugality was the word used by the Duncan Commission. In the Commission's review of our financial arrangements over a long period, not only during the depression but over a long period our expenditures were found to be frugal. This finding, I believe, was made in 1926, when everything was booming. I believe that is the year which is taken as the index year.

THE CHAIRMAN: Things were not quite so booming then as in 1927-28-29.

HON. MR. CAMPBELL: Those were abnormally good years;

I think 1926 is usually accepted as an index to normal prosperity. It is interesting to note that the White Commission accepted the definition of the Duncan Commission.

THE CHAIRMAN: You are quite prepared that we should accept the findings of the White and Duncan Commissions?

HON. MR. CAMPBELL: We should also like this Commission to make a study of the basis on which those findings were made and also to note that these findings would be justified at the present time. This situation has been continued during the past year or two. This condition has not only continued, but continued in the face of increases made in the extension of public and social services throughout other parts of the Dominion. Prince Edward Island has been obliged to do without these services, and we have done without them rather than go further into debt.

THE CHAIRMAN: What social services have you particularly in mind?

HON. MR. CAMPBELL: Well, Mothers' allowances for one thing, and direct unemployment relief, to a very large extent we have been obliged to do without them. The type of direct relief which we have been paying in this province is really a grant in aid; it could not be called relief at all. It is only three dollars a month per person.

THE CHAIRMAN: We have been told in other provinces that direct relief has been responsible, to some extent, for the breakdown in the morale of the recipients, particularly those above forty years of age. Representation

have been made to us that men who have been receiving relief for some length of time are becoming, not only unemployable by reason of unemployment. What view do you take on this matter, or have you had any experience in that connection in this province?

HON. MR. CAMPBELL: To a certain extent, my Lord, but the degree to which we have carried direct relief has minimized that danger.

THE CHAIRMAN: You have avoided that peril in this province?

HON. MR. CAMPBELL: We have tried to avoid it; we certainly recognized the peril and it is a grave peril. However, I do not think three or even five dollars a month is going to be much inducement in that direction.

THE CHAIRMAN: It should not be.

HON. MR. CAMPBELL: This is one of the reasons for our curtailment of direct relief to the absolute minimum. The other reason, of course, is lack of funds. In spite of that danger, the practical problem is that distressed people cannot be allowed to starve.

THE CHAIRMAN: I take it you do not permit any people in this province to starve, relief is accorded where it is absolutely necessary.

HON. MR. CAMPBELL: Yes, we give relief wherever it is absolutely necessary. As I say, these remarks of the Duncan, Jones and White Commissions are given in the Brief. The Duncan and White Commissions referred the maritimes as a whole, whereas the Jones Commission is limited in scope to Nova Scotia. I should just like to say in conclusion if, a comparison were made between

the expenditures of this province and those of the sister maritimes, it would indicate that we have been even more frugal in our scale of expenditure than either of the other provinces.

Now, the other side of the structure and a very necessary other side is, that while we have been extremely frugal in our expenditures, we have, at the same time, exploited every feasible means of revenue. Some detail has been set forth as to the respects in which this exploitation of revenues has been carried out.

THE CHAIRMAN: Will you just give us some general facts, Mr. Campbell, on the income tax, what the figures are?

HON. MR. CAMPBELL: Pardon, my Lord?

THE CHAIRMAN: What are the limits or exemptions under your tax laws?

HON. MR. CAMPBELL: The exemptions, broadly, are these; there is a general exemption of \$750. In the case of a married man, the exemption is \$1,000. Up until the present time there has been no exemption for dependents, but an amendment was passed at the last session of the legislature which provides for the exemption of dependents. I do not believe I am revealing any state secrets when I say there will probably be a further extension of the exemption for dependents during this year,

THE CHAIRMAN: What class would be included under the heading, "Dependents."?

HON. MR. CAMPBELL: The proposal this year is to extend the interpretation of the word, "dependents" to the

same class as those included in the Dominion government's definition. The exemption proposed is \$200. for dependents instead of the \$400. accorded to persons under the Dominion Act. This brings the income tax into a considerably lower scale income than that which is affected by the Dominion act.

THE CHAIRMAN: Then how high does your rate go?

HON. MR. CAMPBELL: Well, the rate is set out in a gradual scale in the act. It would probably be a little difficult to give an idea of the rates, but I might give an idea of the effect of the rates. I think the effect is that in the moderate income groups, say between \$2,000, oh no, \$2,000 would be exempted. In the income group between \$3,000 and \$10,000 the provincial income tax would be somewhat higher than the Dominion income tax, whereas in income groups below \$3,000, a great many incomes would be brought under the tax in the provincial scale which would not be affected at all by the Dominion tax.

THE CHAIRMAN: That covers the point in which I was interested.

HON. MR. CAMPBELL: It is impossible to say, my Lord, just what the difference would be between the Dominion tax and the provincial tax as a whole, because we have not the machinery in this province, for investigating and collecting provincial income taxes. We are, however entering into an agreement with the Dominion Department of Finance, whereby the Dominion government will collect, in future, the provincial income tax. At the end of a few years, comparative statistics will probably

be available.

THE CHAIRMAN: Your fiscal need might have disappeared by that time.

HON. MR. CAMPBELL: It may disappear pro tanto.

COMMISSIONER DAFOE: How long have you had an income tax, when did you first apply it?

HON. MR. CAMPBELL: I do not know exactly.

COMMISSIONER DAFOE: Is it earlier than the Dominion income tax measure?

HON. MR. CAMPBELL: Yes, I think so. Dr. MacMillan informs me it is the earliest in Canada. It was imposed in 1894, approximately.

THE CHAIRMAN: That, I think, would be earlier than British Columbia. I think they claim to be very early; they had an income tax before the Dominion, I know, because they thought the Dominion was encroaching on their field of taxation when the Dominion income tax was imposed.

HON. MR. CAMPBELL: Of course the provinces have had that idea for some years. There has been an agitation on the part of some of the provinces at least, that the Dominion should leave the field of income tax. I think, for reasons stressed by the Board of Trade yesterday, that such an arrangement would be undesirable. Whatever might be said for the provincial income tax, I think there is a good deal to be said for the Dominion income tax.

THE CHAIRMAN: You do not agree with the statement that there should be only one tax?

HON. MR. CAMPBELL: I agree that there are merits in that contention, but it has certain limitations which

I shall mention at a later stage. I do not agree that the Dominion should leave the income tax field. The first point mentioned under division B on page 33 of our submission is income tax. I have already mentioned income tax, so we will pass on to number (2) which is succession duties. Prince Edward Island maintains higher succession duty rates and a lower scale of exemptions than those which prevail in most of the other provinces. We believe that the figures in this respect will reveal a very interesting comparison. From a comparison of these figures, we will get some idea of the incidence of Prince Edward Island's succession duty tax as compared with the rest of the provinces, the same as the income tax might be compared with the Dominion.

In the case of the income tax, I was unable to give any comparative statistics, one reason being that the province has not collected the income tax efficiently and another reason being, that the income tax is not all paid in this province. As Mr. Fraser Elliott pointed out, a good deal of this province's contribution to the income tax is collected in other provinces.

In the case of succession duties, I am indebted to Mr. Donald F. Archibald, C. A. , for an analysis of our succession duty operations during the year 1937. Mr. Archibald has made a very extensive analysis of it, and I think the figures will be most interesting to the Commission. This analysis was prepared subsequently to the preparation of our main Brief, so if it would be agreeable to your Lordship and the gentlemen of the Commission, I could file copies of this summary.

THE CHAIRMAN: I do not think the Brief submitted

by the province has been market as an exhibit yet.

MR. STEWART: The brief submitted by the province will be exhibit number 161.

EXHIBIT NO. 161: Brief submitted by the government of Prince Edward Island.

THE CHAIRMAN: Then, this summary of succession duties for the year of 1937 will be exhibit number 161 A

EXHIBIT NO. 161 A: Summary of Succession Duties for the year 1937.

HON. MR. CAMPBELL: Mr. Archibald took the figures of the estates which were wound up in the year 1937. In one column, he put the succession duty actually collected. This item appears to be \$45,380.40. In another column, under the heading "Succession Duty which would be payable on these estates at the current scale of rates and exemptions", that is the total succession duty which would be payable. Now, the difference arises from the fact that many of the estates which were wound up in 1937, were assessed at the old rates as the death was prior to April, 1936. The cash payments indicate the money paid. Many cases were divided between the years 1936 and 1937 and, I presume, in some cases between 1937 and subsequent years. The duty which was assessable on these estates wound up during 1937, assuming that they were all assessed at the new rate, would have amounted to \$70,281.79. This does not include any interest. Now, take as a comparison the scale of rates and exemptions in force in the province of Ontario. The same estates would be assessed only \$22,535.68.

THE CHAIRMAN: Does the complete schedule give the amounts of the respective estates and the rates as compared with the Ontario rates?

HON. MR.CAMPBELL: It does not give the rates, my Lord. The rates are taken for granted as appear in the Ontario Act, but the method of calculation is given there. The different estates are classified on the total amount passing, class 1, class 2, class 3; the exemptions for situs outside of the province, the amount of the duty on each class of legacy, the deductions for charity. If it were of any benefit to your Lordship, I could file a copy of the details.

THE CHAIRMAN: I think perhaps it might not be necessary to file it, but it might be made available. It is a very interesting comparison and I was wondering how it would work out if carried beyond the actual estates concerned,

HON. MR.CAMPBELL: Yes. With your Lordship's permission, I would file a copy of the detailed calculation made by Mr.Archibald.

THE CHAIRMAN: That may be "B". What is the number?

MR. STEWART: Exhibit 161 B.

EXHIBIT NO. 161-B : Detailed
calculation prepared
by Mr.D.F.Archibald,
re Succession Duty

HON. MR.CAMPBELL: I may say that this calculation was made in detail partly for the benefit of our own administration, but the result of the calculation is submitted to the Commission to indicate just how far we do go in exploiting sources of revenue.

THE CHAIRMAN: Did Mr.Archibald carry out his comparison with the other provinces so that one would get the relative position of the different provinces.

HON. MR.CAMPBELL: No, that would be a work of a great

deal of detail. He has just done one province so far, just to the comparison with Ontario. It could be done.

THE CHAIRMAN: It is not necessary.

HON. MR. CAMPBELL: I mean to say it could not be done at this stage.

THE CHAIRMAN: No, I was just wondering if it had been done. It would be convenient to have the others, but if it has not been done it is quite all right.

HON. MR. CAMPBELL: It would probably be a matter of three or four days work for each provincial calculation.

THE CHAIRMAN: No, we could have it checked, if we wished.

HON. MR. CAMPBELL: As I say, the summary of this detailed examination is presented to the Commission for two reasons. In the first place, under Section B, subsection 2 of this part of our brief, to show the degree and comparative extent to which we have gone in exploiting sources of revenue; and in the second place to indicate to some extent the result which would accrue to this province if succession duties were given up as a provincial source of revenue.

We have been receiving in the vicinity of thirty-five or forty thousand dollars from succession duty purposes; we hope that probably with improved methods of collection we may secure a revenue of approximately sixty thousand dollars a year perhaps with our present rates. But of course we have not been able to do that so far and it is only a hope. Mr. Archibald's calculation indicates that the hope may be well founded if 1937 can be taken as a normal year and possibly with the relief which our tax grants may secure from the handing of the income tax over to the Dominion, improved methods of

collection of other taxes may yield a certain additional revenue, but in any case the amount of additional revenue which we can get will not be very much. We may get an additional \$20,000 in succession duties and perhaps a similar amount in income tax but that would only be, say, forty thousand dollars on those two items and that would not go very far to relieve our present fiscal need. And I am suggesting to the Commission that the comparison which we have been able to institute from the point of view of succession duties would be equally applicable to our income tax, and if the comparison were made between our income tax and that of Ontario or any of the other provinces, it would appear that we are probably imposing an income tax which has three times the weight of incidence as compared with some of the other provinces.

The province collects an amusement tax at as high rate as is considered feasible. The amusement tax has been tightened up a little in the last year or two, a slight increase in rate and a considerable increase in the pressure of collection and the revenue has already been increased to a certain extent from that source, but the amount which can be secured is comparatively small. I think we get from ten to twelve thousand dollars, perhaps, a maximum of fourteen thousand dollars a year from that source, - eleven thousand six hundred dollars in 1936.

No. 4, the provincial gasoline tax is unquestionably the highest of any Canadian province, ten cents a gallon. That was raised from eight cents to ten cents at the last session of the legislature and the Government at that time entered into an informal agreement with the motorists of the province that the additional two cents collected would be set aside as a special sinking fund for defraying the cost of hard surfacing an additional portion of the

public highways of the province. So that that additional two cents is not available as current revenue.

THE CHAIRMAN: Just reverting for a moment to succession duty, I see you estimate in your model budget succession duties \$40,000. How does it come that the amount calculated on this exhibit 161-A is \$70,000?

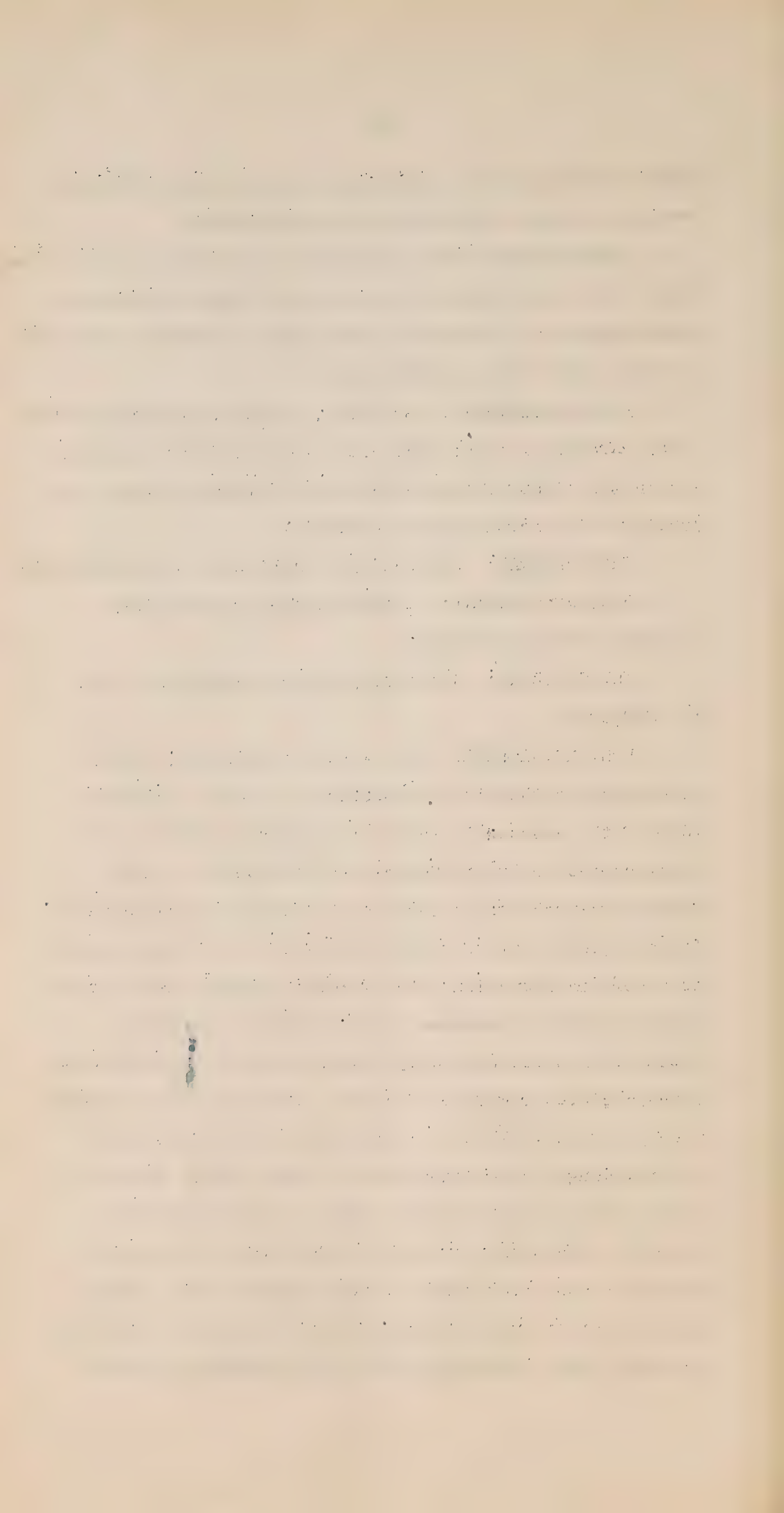
HON. MR. CAMPBELL: As I say, Mr Lord, that calculation of Mr. Archibald's was made after the brief was prepared; and in the light of that calculation I think we would be justified in increasing our estimate.

THE CHAIRMAN: You said you might hope to get \$50,000?

HON. MR. CAMPBELL: I think fifty or even sixty thousand dollars probably.

THE CHAIRMAN: Was this year an exceptional year, the \$70,000?

HON. MR. CAMPBELL: No, I do not think so, but my experience is that it is impossible to hope to collect 100% of the assessable value of succession duties. The Lieutenant-Governor in Council has the power to make certain adjustments in cases of hardship or contingencies. It is a power that is rarely exercised but it does amount to a certain reduction. But I would suggest that in view of the statement prepared by Mr. Archibald that that estimate on succession duty revenue might be increased to perhaps \$60,000, which, of course, would reduce our fiscal need pro tanto. That is if the province is justified in providing a succession duty on those rates, there is some question on that point, there is some intimation that the maintenance of such a high rate of succession duty and such a low scale of its exemptions will drive capital out of the province. I do not know just how well grounded that contention is but it is proposed to us in



certain quarters.

THE CHAIRMAN : What would be the succession duty under your act on an estate of \$10,000?

HON. MR.CAMPBELL: That would depend on the degree of relationship of the beneficiaries.

THE CHAIRMAN: Assuming there is a widow and two children and the estate goes to them?

HON. MR.CAMPBELL: The children, presumably, under age?

THE CHAIRMAN: Is there a difference in the case of children under age?

HON. MR.CAMPBELL: Yes, we have drawn a somewhat subtle distinction between dependent and non-dependent children.

THE CHAIRMAN: Assume children under age then, so that you would have the lowest rate?

HON. MR.CAMPBELL: There would be no succession duty. That is our maximum exemption, is the \$10,000 exemption in the case of a widow and dependent children.

THE CHAIRMAN: Mr.Archibald might tell us. Is not that the exemption in Ontario too, \$10,000?

MR. D.F. ARCHIBALD : Your Lordship, the exemption in Ontario under the present Succession Duties Act for widow, sons or children, whether dependent or not, is \$25,000. The exemption of \$10,000 in Ontario extends to relationship as far out as nephews or nieces or even grand-nephews and grand-nieces. But in this province we give no exemption.

HON. MR.CAMPBELL: We have cut down our exemptions. We have placed the non-dependent children in the second class, that is to say they go in with widow or husband without children, and father and mother I believe, are in that second class of exemption, for which the exemption is \$5000.

Then we have eliminated altogether the exemption to other classes, nephews and nieces have been put in the stranger class and the exemption cut out altogether.

THE CHAIRMAN: Thank you.

HON. MR.CAMPBELL: But from the point of view of the provincial government we feel that succession duty is possibly the best form of taxation, with a moderate exemption for the immediate members of the family, especially where they are dependent. We feel there is no class of person or property which can so well afford to pay a tax, if we have to have taxes, and somewhat excessive taxes perhaps. We feel that is the direction if any in which taxation should be extended as far as possible.

THE CHAIRMAN: When the succession duty was first introduced into Ontario I heard a very distinguished gentleman supporting that policy make a statement expressing the hope that they would keep on increasing it until the tax collector would come around with a dividend cheque instead of an assessment notice.

HON. MR.CAMPBELL: Then the gasoline tax, as I said, is now ten cents a gallon and there is an intimation in the press that one or more of the other provinces are going to follow, shall I say, the commendable example which we have set in that direction. But I think it has really reached the breaking point. I do not think any further taxation can be imposed in the direction of the gasoline tax, although I understand in Great Britain the tax is still considerably higher than our own tax in that direction. I think, if I remember correctly, it is seven pence an imperial gallon.

A tax on the registration of passenger motor vehicles is imposed at the rate of 50 cents per hundred weight, together with certain small fixed

charges. A higher rate of registration is also imposed upon motor trucks.

I do not think there is any room for increasing that, in comparison at least with the other provinces, although in that respect it is well known that the tax in Great Britain is many times that of the Canadian Provinces. Still, we are rather instituting a comparison here with the other provinces of Canada and I feel our tax in that respect is somewhat higher than the average and almost as high as any province.

No. 6, a tax on chain stores, chain theatres and pedlars, everything tangible and intangible.

No. 7, a personal/^{property}tax of .5%. That personal property tax is really ancillary to the income tax and it is an alternative to the income tax. The net result being that the Government collects whichever gives a greater return. The real property tax has already been discussed in connection with education.

THE CHAIRMAN: Just a question there, Mr. Campbell. Yesterday I was asking the value of a good farm of 100 acres here and I think the value of the farm and buildings was given by the president of the board of trade at \$5000.

HON. MR. CAMPBELL: Yes.

THE CHAIRMAN: What would such a farm be assessed at?

HON. MR. CAMPBELL: You mean the actual amount of the tax?

THE CHAIRMAN: No, I mean the assessment. I understand in the rural districts property is not assessed at its full value, it is assessed in many cases substantially lower than the full value.

HON. MR. CAMPBELL: Of course when you say \$5000, that really refers to the present value of the farm. A good farm of 100 acres and buildings would really be worth

considerably more than \$5000.

THE CHAIRMAN: I was surprised at the figure. I am only giving the figure given to me by the president of the board of trade, I think. I would have thought it would have been considerably more than that.

HON. MR. CAMPBELL: I think that would be really based on the sale value, the market value.

THE CHAIRMAN: What would a good farm of 100 acres with good buildings, such as one sees when they go out of the city, be assessed at?

HON. MR. CAMPBELL: I think the pre-depression value would probably be from seven to ten thousand dollars but I think under present market conditions that the estimate made by the Board of Trade would be fairly good, and in view of the fact that such a farm, before the depression would be considered to be worth seven or eight or ten thousand dollars, I think probably it would be assessed at perhaps four or five thousand dollars. I think from two thirds to three quarters of the actual value is probably the assessment for taxation purposes.

COMMISSIONER DAFOE: Who makes the assessment?
The local school district?

HON. MR. CAMPBELL: The local school districts make the assessment for their own collection purposes. The provincial treasurer technically makes the assessment for provincial taxation purposes, but he acts through the local tax collector; the local tax collector appointed in each polling division. And periodically there are special assessors appointed who make a general revision of the whole assessment. That has not been done for a considerable number of years.

THE CHAIRMAN: Thank you.

HON. MR. CAMPBELL: The real property tax, I think,

is the only tax which can be said to be substantially lower than that which is in force in some of the other provinces. But I might point out, as was stated yesterday, it is really a duplicate tax. The provincial government imposes a tax of two-fifths of one per cent, .4%, and the local school districts in the rural sections impose an additional tax which, I understand, averages a little more than the provincial scale.

THE CHAIRMAN: Of course, the two combined make a very low rate of taxation.

HON. MR. CAMPBELL: Yes, the two combined make a comparatively low rate, but it is a tax which falls with somewhat heavier incidence on the poorer classes. The well-to-do farmer, such as has been described as having a farm of 100 acres and good buildings worth eight to ten thousand dollars, it is not a very heavy tax for him; but the same tax falls with considerably heavier incidence on the person who has a poor farm, in a poor state of cultivation and who is just barely getting along, who has practically no money revenue and no liquid assets with which to pay taxes. So that really explains the reason why the land tax is lower, and we try to get after the better-to-do classes by the other taxation, such as income tax and succession duty tax.

THE CHAIRMAN: Do a large number of your farmers come under your income tax?

HON. MR. CAMPBELL: I think there are, especially those who are fox breeders, who raise foxes. But of course the machinery of collecting the income tax has been anything but satisfactory, and while we might state that a certain number have paid income tax, I think it would be correct to say that a great deal larger number would come within the scope of the Act if it were properly and

adequately administered. A great deal of difficulty has been experienced both by the provincial government and by the local school districts, especially the poorer school districts, in collecting the land tax, moderate though it is in its percentage rate, and I do not feel really that any further substantial revenue could be derived in this direction.

The provincial government, for instance, has been obliged to collect a large portion of the provincial land tax by what was formerly known as statute labour, and it is, to say the least, a wasteful method of collection. The labour cannot be so efficiently carried out, it cannot be so efficiently assigned as to time and necessity of work. But it has been found practically impossible to do without it. Statute labour, I might say, was abolished in 1928 in the hope that the taxes might be more efficiently collected and that on the other hand the public works of the province might be more efficiently carried out, and a valient effort was made by the government of the day to carry on without statute labour and the difficulties were found to be so great, especially when the depression began, that the collection of taxes in this manner had to be re-instated in 1931 and that has been carried on ever since.

THE CHAIRMAN: Do you require a farmer to do statute labour to the amount of his tax?

HON. MR. CAMPBELL : He is not required, but he is given the option and until conditions improve to a great extent there does not seem to be any prospect of getting away from that somewhat wasteful system. It is wasteful in two ways: It is wasteful from the point of view of the tax collection and it is wasteful from the point of view of public works. But it seems inevitable in view of

the depressed condition of the poorer farmers throughout the province. So I do not see that any substantial additional revenue could be hoped for from that source.

THE CHAIRMAN: What is this personal road tax, No. 9?

HON. MR.CAMPBELL: Each farmer has to pay a road tax. It is really a toll tax but that name is somewhat invidious so it is called a road tax.

THE CHAIRMAN: It is a poll tax under the guise of a road tax. What does it amount to?

HON. MR.CAMPBELL: It is a straight tax of \$2.00 per annum.

THE CHAIRMAN: Just on the farmer, not on the members of his family?

HON. MR.CAMPBELL: Yes, on each individual between the ages of twenty-one and sixty-five. It is outside cities and towns. Of course it is understood that in the cities and incorporated towns the scale of all these taxes is considerably higher.

THE CHAIRMAN: What is the horse tax?

HON. MR.CAMPBELL: The horse tax is imposed on the farmers in the rural sections too.

THE CHAIRMAN: What is the amount of it?

HON. MR.CAMPBELL: Fifty cents per horse.

THE CHAIRMAN: That is not enough to discourage the keeping of horses?

HON. MR.CAMPBELL: No. The dog tax was specifically imposed for the protection of sheep and the proceeds are more or less intended to be paid to those whose sheep have been killed by dogs whose owners cannot be discovered or who are unable to pay the cost.

COMMISSIONER DAFOE: What does it cost to keep a dog? What is the tax?

HON. MR.CAMPBELL: A dollar for male and three dollars

for female.

THE CHAIRMAN: That is to discourage breeding, I suppose?

HON. MR. CAMPBELL: Perhaps to control it would be better. The fire insurance companies, a flat rate of \$225. Life insurance companies 2% on the gross premiums.

THE CHAIRMAN: Yes, we have all those before us, Mr. Campbell. Unless there is something you especially wish to draw to our attention it is not necessary to read them.

HON. MR. CAMPBELL: No, I will not bother enumerating them unless some member of the Commission wishes to ask some specific question.

COMMISSIONER MacKAY: "Is the purpose of No. 22 to preserve the scenic beauty of the Island?"

HON. MR. CAMPBELL: Yes.

COMMISSIONER SIROIS: What do you mean by the words "at as high a rate as is considered prudent"? Where does the prudence come in?

HON. MR. CAMPBELL: It is not considered desirable to eliminate advertisement altogether but, as Professor MacKay has suggested, the primary object is not so much the revenue, because the amount of revenue is not very considerable, but the primary object is to control the destruction of the scenic beauties along the highway by excessive and unsightly advertisements.

From a consideration of the details in that section of the brief I ask your permission to conclude that this province has exercised every possible economy and has exploited or is exploiting every possible source of revenue; that there are urgent necessities for the expansion of the public services. I dealt with education. Public health is one branch of the service which is urgently in need of expansion, especially the treatment and prevention

of tuberculosis. I will not go into that matter in detail because, as I have said, it will better appear from the examination of the deputy of that Department.

Having attempted to establish those propositions we then thought it desirable that our minimum budget of needs should be set forth in the body of the brief, and yielding a ready comparison with the present scale of revenue and expenditures as exemplified by the public accounts of 1936. The accounts of 1936 are valuable in two connections. In the first place they are the last set of public accounts presently available; and in the second place they exemplify a pretty close balance between current revenues and current expenditures, the deficit for that year being approximately \$24,000.

THE CHAIRMAN: What do you estimate for this year? Perhaps you are not in a position to give that?

HON. MR. CAMPBELL: The estimated deficit was \$60,000 but the actual state of the accounts is not yet available. We have been forced to concentrate on the preparation of our submissions for this Commission and the public accounts for 1937 are somewhat delayed for that reason.

I do not intend to go into the details of the suggested minimum model budget unless the members of the Commission wish to ask any specific questions.

COMMISSIONER SIROIS: Have you many skunks on the Island? (Page 39)

HON. MR. CAMPBELL: They have been a considerable nuisance from time to time in certain portions of the province.

THE CHAIRMAN: I see you propose to increase the budget by a skunk bounty?

HON. MR. CAMPBELL: I have learned this morning that about fifteen years ago Cumberland County in Nova Scotia

granted a bounty on porcupines and the result was sometime after that all the porcupines in New Brunswick mysteriously found their way to Amherst and vicinity. There is some suggestion that there is an importation of skunks or portions of skunks into the province, but I do not think that increase in expenditures was intended specifically to apply to skunks. It was merely intended to provide against contingencies which might arise in the case of that particular nuisance or nuisances of a similar kind.

THE CHAIRMAN: It was not intended to have the same result as the porcupine bounty in New Brunswick?

HON. MR. CAMPBELL: No. The policy which the Department of Agriculture has followed is to recommend the increase of the bounty during certain periods of the year and it is decreased during other periods. I think the word "etcetra" in that connection would probably clear up any ambiguity.

COMMISSIONER SIROIS: This budget would leave you with a deficit of \$600,000. (Page 41)

HON. MR. CAMPBELL: Approximately.

COMMISSIONER DAFOE: Does the model budget give the expenditures you think it would be necessary to make to meet the needs of the province?

HON. MR. CAMPBELL: Yes, the minimum reasonable standard of public services. Not necessarily, and not as a matter of fact, the same standard as is established in other provinces, but what we consider to be a minimum standard which is reasonably and properly necessary for this Province.

COMMISSIONER DAFOE: Assuming the revenue approximates the actual revenue, I suppose?

HON. MR. CAMPBELL: Approximately, because we do not feel there is any source of substantial increase of revenue available from provincial sources.

THE CHAIRMAN: You have certain suggestions here in connection with fisheries, I notice, Mr. Campbell, on page 42?

HON. MR. CAMPBELL: Yes, my Lord.

THE CHAIRMAN: Was there anything further you wished to say about the budget?

HON. MR. CAMPBELL: Not in detail, unless the Commission have detailed questions to ask.

THE CHAIRMAN: I think we have all read it over.

COMMISSIONER DAFOE: The difference between the two totals measures your estimate of immediate and minimum fiscal need.

HON. MR. CAMPBELL: Yes, probably over a period of ten years. I think it is impossible for any province to estimate its fiscal need because circumstances are bound to change from time to time, but I think probably over a period of the next ten years that would be our immediate fiscal need?

THE CHAIRMAN: Then, what is your suggestion about fisheries?

HON. MR. CAMPBELL: The suggestion about the fisheries really falls into a different category. Our suggestion is that there should be some provincial organization, some organization of the provincial services.

COMMISSIONER SIROIS: When you say "wholly within the jurisdiction of the Dominion" you speak of Prince Edward Island?

HON. MR. CAMPBELL: Yes.

COMMISSIONER SIROIS: Because in Quebec they are not wholly within the jurisdiction of the Dominion.

HON. MR. CAMPBELL: Yes, I mean wholly as far as Prince Edward Island is concerned. We have had a growing feeling, especially during the past few years when the fishermen have been hard hit, that there are certain

problems of our fisheries which are of a local color, a local nature, and that the general Dominion policy regarding fisheries is not adequate to solve some of our difficulties here. We therefore feel there should be some modest provincial organization. As I say, we have had that feeling for some time and I was very much interested to notice that the government of Nova Scotia was of the same opinion.

THE CHAIRMAN: What is the value of your annual catch here?

HON. MR.CAMPBELL: I am afraid we have not prepared any statistics on that. It is really a Dominion matter. We could obtain the statistics for the Commission.

THE CHAIRMAN: As you are speaking of fisheries it would be of some importance to know how relatively important it is.

HON. MR.CAMPBELL: We can have those figures for you this afternoon, my Lord.

THE CHAIRMAN: Thank you.

COMMISSIONER SIROIS: On page 34 you have something about the total net production of our fisheries declined from \$1,359,000 to \$900,000.

HON. MR.CAMPBELL: Yes, that is a comparison of the values of the catch, of the yield.

THE CHAIRMAN: Page 34?

HON. MR.CAMPBELL: Page 34, declined from 1926 to 1935.

THE CHAIRMAN: Yes.

HON. MR.CAMPBELL: I might say that comparison gives only one aspect of the situation, The income of the individual fishermen during the past few years has decreased to a larger proportion than that because the number of individuals who are more or less dependent upon fisheries has increased to a large extent.

THE CHAIRMAN: This afternoon when you are giving us the estimate of the catch would you give us the estimate of the number of persons whose principal occupation is fishing?

HON. MR.CAMPBELL: I will try to do that, my Lord.

As a general conclusion to that particular section of our presentation I may say that we have analyzed the suggestions which were made by certain of the other provinces as to the relief of provinces by transferring certain jurisdictions to the Dominion and transferring certain revenue sources to the Dominion, and we find that those suggestions, owing to our peculiar position of economy and taxation, would rather injure us than benefit us.

THE CHAIRMAN: You are now referring to the matters taken up on page 44, are you?

HON. MR.CAMPBELL: Page 41.

THE CHAIRMAN: Oh, I beg your pardon.

HON. MR.CAMPBELL: And also elaborated in a little more detail on pages 47 and 48. Leaving an examination in detail of those proposals until we come to page 47, at page 41 there is given an analysis of the extent to which the Provincial Government would be relieved of expenditures by the transfer of certain public services to the Dominion: Direct relief, old age pensions and pensions to blind persons, administration of pensions and the provincial Sanatorium, grants to hospitals and public health services, which might be grouped as belonging to those public welfare services which are of a Dominion-wide nature and which could be more satisfactorily administered by the Dominion. I intend to go into a little greater detail on that in a consideration of the matters set out on page 47 of the brief. But the total maximum relief which the province could hope

for from the transference of those expenditures on the basis of the specimen budget, would be \$222,250.

The increase of revenue whatever form it might take, which we have estimated as immediately necessary for educational services would be \$193,792. That is on the basis of the specimen budget. This would leave a balance still necessary to balance our accounts on the specimen budget of \$190,471, for other additional revenue necessary for the public services than those which the Dominion would take over and other than education. Those three items make up the total estimated deficit of \$606,513, which would result from the adoption of the specimen budget. That would make no provision for highways. I take it that the expenditures on ordinary highways is a matter which will undoubtedly remain within the provincial jurisdiction. So far as the maintenance of trunk highways and inter-provincial highways is concerned the Dominion has recognized certain obligations in that direction. In fact, so far as this province is concerned, those who were assumed to be qualified to speak for the Government assured us of a measure of assistance in this direction, which we have not received, and the provincial budget has been increased to a very substantial extent by the construction of hard-surfaced highways which were admitted by the Dominion to belong to the trans-Canada system of highways.

THE CHAIRMAN: Mr. Campbell, what are you referring to here? I mean, if it is important that we should know anything about it, it is important we should know more about it.

HON. MR. CAMPBELL: As I say, I think that is really a matter for negotiation between the province and the Dominion Government. I do not think there is any constitutional basis for that. I do not think the constitution could ever delimit the responsibilities and the province. I am

afraid that is a matter in which the provinces will have to be in continuous negotiation with the Dominion from time to time. And the reason for inserting that matter in the brief is that we may not be held as having given up any right to negotiate or claim from the Dominion governmental assistance along the lines which I have suggested.

COMMISSIONER DAFOE: Is this assurance of a measure of Dominion assistance a matter of absolute record? I mean are there communications or public statements, or was it just sort of an informal understanding?

HON. MR.CAMPBELL: Well, that is a matter of dealing and it is a matter --

COMMISSIONER SIROIS: Do not show your hand.

HON. MR.CAMPBELL: I am not afraid, Dr.Sirois, of showing my hand in the matter, but it is a matter of political discussion which we might get into and which probably would not lead anywhere in the present situation.

THE CHAIRMAN: As my colleague, Dr.Sirois said in reference to another matter, "You want to leave the door open".

HON. MR.CAMPBELL: We want to leave the door open, exactly.

THE CHAIRMAN: I think we might adjourn now then until 2:30.

AFTERNOON SESSION:

The Commission resumed at 2.30 P.M.

THE CHAIRMAN: We will continue, Mr. Campbell.

HON. MR. CAMPBELL: Your Lordship, and gentlemen, this morning Your Lordship asked for figures on the question of fisheries. It is rather difficult to give an exact estimate of the actual number of fishermen in the province, as the occupation is largely seasonable, and a good many men who do a certain amount of farming or gardening in other seasons will probably go out fishing in the fishing season. The estimated number of fishermen in the province is 3,400. That is partly based on the fact that 2,326 individual fishermen have received loans under the fishermen's relief administration in the period between August 1st, 1936 and January 31st, 1938. Approximately two thirds of the total number of fisherman in the province have been obliged to apply under this form of assistance, and have taken loans from the government.

THE CHAIRMAN: Do you think that represents about two thirds of the total?

HON. MR. CAMPBELL: That is what I am informed by the Hon. Mr. LePage, who is chairman of the committee which administers that relief. The local superintendent of the Department of Fisheries arrives at about the same estimate, of 3,500 men engaged in the fishing industry in the province.

The value of the 1935 production was slightly less than \$900,000, as is mentioned in the Brief. The value of the 1936 production was \$953,000. A slight increase in 1937 is also shown, but as the number of fishermen had also increased, the individual income would show a decrease, probably, in both those years.

COMMISSIONER MacKAY: What proportion would that be

of the total gainfully employed in the province?

HON. MR. CAMPBELL: That would be approximately ten per cent; perhaps ten to twelve per cent.

THE CHAIRMAN: Then you ~~were~~ coming to the specific recommendations, or proposals, at the adjournment, Mr. Campbell.

HON. MR. CAMPBELL: Yes, My Lord. The first specific recommendation is, in regard to Old Age Pensions, and that their administration should be taken over by the Dominion government. Apart altogether from the national aspect of this social service, it may be pointed out that it is a new service, which only in recent years has been brought into effect in any of the provinces of Canada, and which, although it appears to be technically within the jurisdiction of the province, was probably not contemplated by the drafters of the Constitution. I may say that Prince Edward Island is in rather a unique position in this respect. Other provinces may find themselves in the same position, but I am not able to speak for them. But this system of Old Age Pensions was more or less unthought of in Prince Edward Island before 1930, and at that time the whole question became a public issue of some magnitude. It had probably been discussed before hand, but that was really the first time that it came to the public eyes to any great extent. The proposal immediately met a great deal of public support, and, I may say at the same time a certain amount of public opposition.

The people of the province were then assured in no uncertain terms by those who afterwards became responsible for the administration of the Dominion government that the Dominion would assume the whole cost of Old Age Pensions, not only in this province but in all provinces. Now, whether that was good policy or bad policy at that time I am unable to say, but I mention that merely to show the position in

which the government of Prince Edward Island is placed. In 1931, the provincial government, with that specific assurance in view and in order that the province might be able to take advantage of the Dominion offer at the earliest possible moment, passed an Act providing for the commencement of an Old Age Pensions scheme in the province, in collaboration with the Dominion government. That scheme was not brought into effect at the time because the assured measure of support from the Dominion government was ^{not} immediately forthcoming, and when the Dominion government did act in the matter the only change was to increase the Dominion percentage of contribution from 50 per cent to 75 per cent.

THE CHAIRMAN: You do not think that any province or Dominion can be held responsible for promises made in elections by a party which is not in power. There is one way in which a government can be made responsible, and that is through its credited executive.

HON. MR. CAMPBELL: No, I suppose that the Dominion on the whole cannot be held legally responsible.

THE CHAIRMAN: I would think you would have to go further, - nor morally responsible. If the governments were made responsible for all that was said in elections I am afraid all Canada would have been bankrupt before this.

HON. MR. CAMPBELL: Well, I do not really rest on that argument, My Lord, but the relevance of the assurance which I mentioned had effect in placing the provinces, or at least this province, in a certain position. Now, I may say that when the Dominion percentage of contribution was fixed at 50 per cent the province of Prince Edward Island simply felt that its financial situation did not enable it to take advantage of that 50 per cent offer from the

Dominion. But when Prince Edward Island found that the Dominion had raised the percentage of contribution to 75 per cent, this province - and I suppose some of the other provinces - was put on the spot, as one might say.

I do not express any opinion one way or the other on the action of the government of that day in bringing into effect the Old Age Pensions Act, whereby the province contributed 25 per cent. I suppose we should have been obliged to do the same thing ourselves if we had then been in power. But what I do say is this: that we were placed on the horns of a dilemma; that our revenues and our financial situation was such that we really could not afford the additional expenditure necessary to provide even 25 per cent of the Old Age Pension scheme. Yet the Dominion was really taking the decision out of our hands by saying that the taxpayers of Prince Edward Island would be obliged to contribute their share to the 75 per cent contribution which the Dominion was making to other provinces. So that whatever course of reasoning the government of the day followed I really do not see that they could have come to any other conclusion than they did; namely, that it was necessary for this province, as a matter of self-protection if nothing else ---

THE CHAIRMAN: Self-protection from its own voters?

HON. MR. CAMPBELL: No, I do not mean from the political point of view, but self-protection from the financial point of view. I mean to say, if we had our share of the 75 per cent Dominion contribution going out of this province, and no compensating return coming back, I think it would be bad financially for the province, - speaking from the point of view of the province rather than the point of view of the government. I think the province of Prince Edward Island was really compelled in

self-protection to take advantage of the Old Age Pensions scheme. The result is that it has been costing us approximately \$70,000 a year, and with the addition of the pension for the blind, the cost will be increased. That is one of the factors contributing to our condition of fiscal need at the present time.

COMMISSIONER MacKAY: Does the same argument apply, Mr. Campbell, to other cases of conditional subsidies? Do you feel that Prince Edward Island has been driven to make other expenditures because of offers made by the Dominion in this way?

HON. MR. CAMPBELL: Not to the same extent. To a certain extent that is true, but what I do believe about that,— and I may say I am strongly opposed to the percentage basis of contribution as between Dominion and province. We feel strongly in that respect because we have not so much been driven to expenditures ourselves but that we have been forced to do without services which the other provinces have taken advantage of because they have either had greater revenues themselves or they have not been so careful in their expenditures.

COMMISSIONER MacKAY: But on the whole are you opposed to the practice, or system, of conditional subsidies?

HON. MR. CAMPBELL: I am not opposed to the system of conditional subsidies, but I am opposed to the any subsidies based on a percentage or pro rata contribution as between the Dominion and the province. I think that subsidies should rather be for a fixed amount, and determined from time to time by actual fiscal need and other factors.

THE CHAIRMAN: Then what is your conclusion on the whole matter so far as the functions are concerned?

HON. MR. CAMPBELL: Our conclusion is that the Dominion government should take over and administer the

system of Old Age Pensions.

Mothers' Allowances, the same recommendation applies here. We have not been able to inaugurate any scheme of Mothers' Allowances, or Widows Pensions. There is a certain amount of need in the province for that sort of thing. We have a great many demands for it. Whether we can actually get along without it for any considerable length of time is a question that is not easy to determine, but we have been forced so far to get along without it, and probably the inauguration of the Dominion system would not benefit this province to the same extent as some of the other provinces, but at the same time we are willing to join in the recommendation that the system be established by the Dominion.

THE CHAIRMAN: Is that not a matter peculiarly for local administration and local provision? Why should the Dominion go into the matter of Mothers' Allowances?

HON. MR. CAMPBELL: Well, as I say, it is a matter which we have not given any great consideration. It interests other provinces more than it does us, and we will therefore content ourselves with concurring in their recommendations. The other point of view would be this: that if the province were obliged to go into a scheme of that kind our fiscal need would be pro tanto increased.

Hospitalization and Public Health. We have analyzed the proposals of certain of the other provinces in this respect. Most important, perhaps, is the proposal of the province of Manitoba, to the effect that the Dominion should contribute 50 per cent. For the reasons which I have just given to Professor MacKay, I do not think that would ^{be} a desirable basis of cooperation. I think that if the Dominion scope is extended in the direction of public health it should be extended rather in the direction of

taking over specific services.

THE CHAIRMAN: Surely hospital services is a municipal or provincial matter, is it not?

HON. MR. CAMPBELL: Well, in the matter of communicable and contagious diseases it seems to me that the Dominion field is open there and, in many respects, the Dominion can do ^{good} a/deal more than the province.

THE CHAIRMAN: The Dominion may help from a scientific point of view.

HON. MR. CAMPBELL: Partly from the scientific point of view and partly from the point of view of the spread of disease. It may be possible that one province, - Ontario, would establish a disease-free area. There would still be the danger of the spreading of the disease, like tuberculosis and things of that sort, to the neighbouring provinces.

However, I am merely taking the suggestion of the other provinces in that respect, and intimating that rather than embark on a percentage basis with the Dominion government, as suggested by certain provinces, it would be preferable that the Dominion government should take over certain specific services and administer them entirely.

The question of unemployment relief; I think there is a general agreement among all municipalities and governments that this could be better administered by the Dominion government, - by a single administration.

THE CHAIRMAN: Do you think it would be more economical if administered by the Dominion government from Ottawa than you could administer it locally?

HON. MR. CAMPBELL: I do not know that it would be more economical, but I think it would be more efficient, and fairer.

THE CHAIRMAN: Why fairer? Surely the local community should know where the needs are.

HON. MR. CAMPBELL: The local community knows its needs, but it cannot get the money. The local community is going to be penurious or it is going to be prosperous, and there is going to be a shifting of the incidence of unemployment relief; there is going to be a shifting of the incidence of unemployment from one section to another. The whole question of labour, employment and unemployment, seems to me to be a problem of national importance and one which can be more equitably and more fairly administered by a single, central authority. Of course, that central authority would naturally have to act through local organizations, such as local committees or local officers, but I think that the efficiency and equity of the administration of direct relief is greatly impaired by having so many jurisdictions, each one pulling against the other to see which can get the greater share of Dominion assistance.

Labour legislation is a matter in which this province is not interested to the same extent as the other provinces. I need not go into the history of legislation of this kind which was so admirably set out in the Nova Scotia Brief, and so clearly presented to the Commission by the Attorney General of Nova Scotia. Although we feel that legislation of these classes will not benefit Prince Edward Island in proportion to the other provinces, - it will probably not benefit us in proportion to the contribution which we shall be required to make to it, - at the same time we feel that if these classes of legislation are of sufficient national importance to justify the Dominion taking it over, and legislating upon them, then we do not wish to stand in the way of any social legislation of national importance. Therefore we concur in the recommendation of the other provinces that they

be taken over by the Dominion.

COMMISSIONER MacKAY: Coming back for a moment, Mr. Campbell, to unemployment relief, do you think that the Dominion should take over the whole field of what is commonly called poor relief, as well as relief for those who happen to be unfortunately out of work?

HON. MR. CAMPBELL: I think so, I think it should be limited to that. I think the classification made by the Department of Labour in cooperation with the National Employment Commission as to employment and unemployment would very well serve as a basis of distinction. I think the ordinary poor relief is a natural obligation of the province. ~~I do not think the Dominion should take that~~ over directly, nor do I think any of the provinces suggest that.

COMMISSIONER MacKAY: But if the Dominion took over any of these other things which you suggest, - if the Dominion took over Old Age Pensions, if they took over Mothers' Allowances, or hospitalization, anything of that sort, Would that not tend to relieve the municipalities?

HON. MR. CAMPBELL: Yes, undoubtedly.

COMMISSIONER MacKAY: And the provinces?

HON. MR. CAMPBELL: Yes, and I think it would be a very good thing if the municipalities and provinces were systematically relieved of things like that.

COMMISSIONER MacKAY: And the municipalities and provinces would be able to do more of the work of unemployment relief, or should they be relieved of that also?

HON. MR. CAMPBELL: I think they should be relieved of that. I think that is a matter of administration. Administration, I think, can be greatly improved if done by a central authority.

COMMISSIONER MacKAY: But if the local authorities

had no interest in keeping down expenses, things would go up in cost. It seems to me at present the local authorities have an interest in keeping relief costs down.

HON. MR. CAMPBELL: I do not think that would apply to this province.

COMMISSIONER MacKAY: You mean to say the city of Charlottetown has no interest in keeping relief costs down?

HON. MR. CAMPBELL: Yes, they have, at the time, yes.

COMMISSIONER MacKAY: Well, if the city of Charlottetown had no responsibility, no financial responsibility, would there be ^{as} much interest. or as much pressure to keep the relief costs down?

HON. MR. CAMPBELL: I think the Dominion would exert pressure of that kind. There would necessarily be local committees.

COMMISSIONER MacKAY: Except at election time.

HON. MR. CAMPBELL: Well, we have elections with us periodically.

COMMISSIONER DAFOE: My recollection is that the interim report of the Unemployment Commission advocated the reduction of the primary responsibility of the municipalities for unemployment; with the provision that when it reached a certain point the Dominion would cut in and take it over. Would you care to express any view on that?

HON. MR. CAMPBELL: Well, of course, what is technically known as unemployment relief arose in connection with an emergency situation, but whether we will ever get back to what we used to know as normal conditions is another problem. We may be faced by a sort of chronic condition of unemployment, something which in former years, existed below the surface, but which now has been brought above the surface,

and perhaps is there to remain, as far as we know. It is a difficult thing to get rid of.

THE CHAIRMAN: Would that not be more likely to continue if the Dominion were administering it than if the municipality and the province were dealing with it? Would they not be more likely to terminate it and get back to more normal conditions than if the Dominion were administering it?

HON. MR. CAMPBELL: I do not see that there would be any great difference in that respect.

THE CHAIRMAN: People are always much more ready to spend other peoples money than their own. It is almost a universal characteristic.

HON. MR. CAMPBELL: The Dominion Government would be the authority then which would be endeavouring to keep down the expenditure. They would be just as effective in doing it as the provinces would be, especially as the provinces are in a situation where they are apt to spend - some provinces face a temptation, and I think it is only natural to suppose that they yield to it, - probably we do ourselves to a certain extent, spend money in the hope of getting some contribution from the Dominion government. I mean to say, if we had no hope at all of getting any contribution to direct relief from the Dominion government I have no doubt we could cut down our expenditures, small as they are, on direct relief. I do not think it would be a good thing, I think they have been cut down to the minimum, but I can picture the situation in a province which is not so careful in its finances, which, anticipating some measure of Dominion contribution, would expend more than was absolutely necessary. For instance, we go to Ottawa and ask for a contribution. I do not think it is any secret, it is the same practice which has obtained

under all governments. We ask for money at Ottawa for direct relief, and we are told "well, you are getting along with so much, therefore, you do not need more than so much contribution from the Dominion." Now, if we were tempted to extend our resources the next year what we would do would be to spend a larger amount in the confidence that we could obtain a larger contribution from the Dominion government.

THE CHAIRMAN: It is a good thing to avoid temptations of that kind.

HON. MR. CAMPBELL: We have struggled to avoid them, but I have my doubts whether all the other provinces have been so earnest or so successful in withstanding temptations of that kind. So that I think that ^{is} a flaw in the present situation, namely, the hope of the provinces to obtain Dominion contributions sort of relieves the pressure which the provinces and local municipalities might otherwise put on the direct ^{relief} situation. I think that if the whole thing were under one jurisdiction, administered by one organization on a Dominion authority basis, and of course, through local committees and local officials that the administration would be much fairer, and less liable to abuse.

On the question of transportation and freight rates, as has already been intimated to the Commission, the Maritime Board of Trade, with the cooperation of the governments of the three Maritime provinces, maintains a standing committee known as the Maritime Transportation Commission. The governments of Nova Scotia and this province, at any rate, have agreed to the proposition that the whole matter of freight rates and transportation should be specifically dealt with in a submission to be made by the Maritime Board of Trade, through the Maritime Transportation Commission. I understand it has been

arranged that that submission should be made at Fredericton.

Succession duties and income tax. This is a matter, My Lord, which has given us a good deal of consideration. One of the provinces has suggested that succession duties should be turned over to the Dominion, and another province, that both succession duties and income tax should be turned over to the Dominion. We believe that there is considerable merit in the reasons for those suggestions in a general way. I do not need to go into that question because, for one thing, it was dealt with quite fully in the Brief submitted yesterday by the Board of Trade. But the difficulty in regard to this province is that we cannot afford to give up any of our revenue. We cannot maintain the services which we should have even with all the existing revenues, and the suggestions for relief in our expenditures, - take for instance, the Manitoba suggestion, the relief which we should obtain on the Manitoba suggestion is set forth in the second table on page 48, which would amount to \$167,500 saving to this province by the Dominion taking over the public welfare services. In the alternative, and I think preferable suggestion, that the Dominion should take over specific welfare services rather than contribute 50 per cent to provincial services, we would save approximately the same amount, perhaps not quite so much, - about \$150,000 a year. Both these figures are based on the public accounts of 1936.

Now, it is suggested that we should give succession duties and income tax to the Dominion, - and I might say that succession duties and income tax in our taxation scheme are bound up with the tax on corporations, which is really a form of fixed income tax, - with the personal property tax, which is really another form of income tax.

They are so connected and interwoven that the loss of one
would practically mean the loss^{of} all the revenue from those
sources and we would lose a total revenue of \$220,769.

In other words, by the Dominion government taking over
this proposed social service and in return getting the
succession duties and income corporation tax, we should
lose approximately \$60,000 or \$70,000 a year, and on the
finely balanced state of our finances we simply cannot
afford to do that.

(Page 4526 follows)

Now, the reason I am suggesting a change might benefit the other provinces and at the same time, not benefit us is--well it is just the old story of fiscal need. We do not, at present, have those social services to the same extent as some other provinces have, and I find we have, to a greater extent, exploited all the available sources of revenue. In other words, we are getting a greater degree of revenue from our succession duties and income taxes than the other provinces because we have higher rates and a lower scale of exemptions.

THE CHAIRMAN: I think you have made that point quite clear, Mr. Campbell.

HON. MR. CAMPBELL: The liquor-revenues--~~this question~~ is really correlated with another suggestion which is made later on, under the heading J 6, the administration of justice.

THE CHAIRMAN: Will you pass over that until you come to J 6, or will you deal with it now?

HON. MR. CAMPBELL: I think I will leave it until I come to it, my Lord. The validity of certain provincial taxes merely involves the suggestion of an amendment to be passed to the British North America Act to clarify certain provincial jurisdictions. There are certain taxes which are bordering on the line of indirect taxation and we think the province should be assured of their present revenues remaining untouched. Such an amendment to the constitution would obviate the necessity for studying the directness and indirectness of taxation every time a change in the tax laws was contemplated. The final question is the question of the

overlapping of services. Our representations on this question are set out briefly in the submission; I do not know that I need to elaborate on this at the present time. The deputy minister of agriculture can give to the Commission his ideas on the services rendered by the Dominion and provincial departments of agriculture. Public welfare services can be dealt with by the superintendent of old age pensions and the deputy minister of health. The fisheries can be dealt with by the chairman of the Fisherman's loan board. Labour legislation has already been discussed. The representations concerning company law can be made by the deputy provincial secretary. Number six is the administration of justice.

Unfortunately, owing to the frugality with which the province is forced to administer its affairs, the Attorney-General is not provided with a deputy. For this reason, I must speak for myself in this connection.

THE CHAIRMAN: He has a good deputy, then. I notice in the terms of the Order in Council under which Prince Edward Island came into Confederation, that the Court House, which I presume is this one, was to be taken over by the Dominion and the Dominion was to pay a certain amount of money.

HON. MR. CAMPBELL: The Court House to which that refers is the old Court House. It was situated on the site, I believe, of the present post office. It was taken over by the Dominion government and it was burned about that time and replaced by the present building which is popularly known as the Post Office. I think its proper name is Dominion Government Building.

I might say, your Lordships' confusion on that point is quite understandable because the provincial government was under some misapprehension at various times up until just recently. At the time we were starting to repair this building, that point was brought up and it was necessary to investigate carefully and clear up this confusion. It seems to me, and it has seemed to me for a great many years, that one of the points on which there is the greatest amount of undesirable overlapping as between the Dominion and the provinces is in the administration of justice. When I make that statement, I should probably except the administration of the criminal code, as it appears to me that the present division of the administration of the criminal code works admirably in most respects. In the case of the criminal code the division is, broadly, legislation by the Dominion and enforcement by the province. I do not know that I need to go into the other submissions I have made on this point. I have set them forth in the Brief. It is rather a new suggestion so I have set forth rather fully the principle which I wish to advance. My experience is that there is a good deal of overlapping in the administration of what might be termed quasi-criminal legislation, Dominion quasi-criminal legislation and provincial quasi criminal legislation. This lack of unity is illustrated in the number of enactments which have to deal with the subject of intoxicating liquors. The extent of the conflict of such cases in this province may be indicated forcibly by the table at the bottom of page 51. In 1936, there were 326 prosecutions under

the Prohibition Act, 119 prosecutions under the Excise and Customs Act and in 1937, there were 539 prosecutions under the Prohibition Act. Now, all of these charges deal with illicit liquor and practically every such case is the subject of conflict between Dominion prosecution and provincial prosecution. In the Brief, my submission is that a uniform system of legislation and enforcement as between the Dominion and the provinces should be adopted. In the first place, with regard to the enforcement of the Customs and Excise Act. There seems to me to be no good reason why the province should undertake to carry out the enforcement of the laws against theft, or assault or any of the lesser criminal offences while an entirely different force is set up for the enforcement of laws against smuggling or diverting the revenue.

COMMISSIONER MacKAY: To make this a little clearer, Mr. Campbell, do you mean to say that if there is an infringement of the customs act the prosecution under the customs act is brought by a Customs official?

HON. MR. CAMPBELL: Yes.

COMMISSIONER MacKAY: Rather than by a provincial officer?

HON. MR. CAMPBELL: It is brought by a customs official who happens to be the same paid police officer who is administering the criminal code and the provincial laws. However, if the police make a seizure of liquor, then they receive instructions from the provincial authorities as to what happens under the Prohibition Act, or they may lay charges under the Excise Act or Customs Act and get their instructions from Ottawa. The same

police officer gets two entirely different sets of instructions, which in many cases conflict, and in all cases overlap.

COMMISSIONER MacKAY: What happens in the case of a violation of the Fisheries Regulations?

HON. MR. CAMPBELL: There is another set of officers for that work and they receive their instructions from the Department of Fisheries. The possibility of conflict does not arise in such a case.

THE CHAIRMAN: Is there any reason why the same officials should not enforce the Fisheries, Customs Act and Criminal Code.

HON. MR. CAMPBELL: I can see no reason, except possibly in the case of the Fisheries Regulations. Prosecutions in that department are, to a certain extent, bound up with the policy of that department. I do not know whether that is a good thing or a bad thing. It is the only reason I can suggest for a separate enforcement branch being maintained.

Up until recent years, we had in this province, in addition to the Attorney-General's Department, the Prohibition Commission under whose control there was a separate force of police officers. I do not know what the situation in Nova Scotia is now, but a few years ago they had practically the same situation there. At this time there was not only the different prosecuting authorities, but there was also a different police authority. This duplication has been eliminated and the provincial laws are now enforced by the R.C.M.P. The outstanding difficulty at the present time, is the fact that the Department of National Revenue administers from Ottawa, and sends instructions from Ottawa when there have been

any infringements against the customs and excise act.

This produces an awkward situation for the provincial department. We are expected to know everything concerning these infringements, when, as a matter of fact, we know nothing about the cases. The reports are made to Ottawa and the instructions come direct from Ottawa. It involves not only a difficulty for the police, the local department, but it also involves a great amount of confusion in the minds of the public. The public has difficulty in drawing a distinction between cases which are under Dominion jurisdiction and cases which are under provincial jurisdiction. If it were a case in which all Dominion laws were enforced by the Dominion, the situation would be different. The Dominion makes these different penal enactments which are administered by the province alone. Our submission, therefore, is that all quasi-criminal laws should be enforced by a single prosecuting authority. It is my belief that this authority should be the provincial Department of Justice.

My colleague has just pointed out an example of a situation where such confusion might arise. Supposing in the case of an automobile accident, the driver is charged with the offence of driving while intoxicated.

This offense is under the criminal code and he would be prosecuted by the provincial Attorney-General. He may have also been driving without a license, in which case he would be prosecuted by the provincial authorities. In this province it would be the Attorney-General, but I believe in some provinces the Department of Highways would prosecute in such a case. At the same time, liquor might have been found in the car. At the present time,

the liquor laws of this province are administered by the Attorney-General's Department. In this province, until recently, and still, I believe, in other provinces this type of offence is prosecuted by an independent Commission. Finally, smuggled liquor might have been found in the car and in which case the prosecuting authority would be in Ottawa since he would be prosecuted under the Customs Act. All the instructions for such a prosecution would come from Ottawa.

THE CHAIRMAN: I do not know the real reason why these Dominion laws to which you refer should be enforced to the great extent they are by Dominion authorities, but I assume it must have been to insure the protection of the revenue. I suppose they believed the province would not be so vitally interested in protecting a source of revenue which did not closely concern the province.

HON. MR. CAMPBELL: That might have been the reason, but I think the province could be entrusted with the matter. The enforcement of the criminal code is entrusted to the provinces. I think the matter of Dominion revenue is really less important, from a theoretical point of view, than the enforcement of the highest criminal law in the land. From the point of view of enforcement, my submission is that there should be a single prosecuting authority, presumably a provincial authority as it seems to be functioning very well in the enforcement of the criminal code.

There is also the suggestion that more of the quasi-criminal legislation should come under the jurisdiction of the Dominion parliament. Criminal law is a matter which was given exclusively to the Dominion parliament

but criminal law was not defined strictly.

THE CHAIRMAN: What laws have you in mind?

HON. MR. CAMPBELL: I have in mind, particularly, the laws regarding driving a motor car while intoxicated and the laws regarding the protection of the public in the matter of highway driving.

THE CHAIRMAN: Of course, there are provisions in the criminal code relating to highway driving.

HON. MR. CAMPBELL: But they cover a very small portion of the scope of the field. It seems to me that this field has developed into a problem which has become a Dominion-wide matter and that legislation at this point can be better embodied in a Dominion enactment. Such an enactment would, of course, leave room for municipal by-laws and local regulations. This might be worked out in a practical way. Representatives of the provinces could meet together and discuss the matter. The governments of the provinces could agree on a certain portion of the field in which uniformity could be arrived at. This portion could be embodied by the Dominion government as the trunk of the legislation, while the remainder of the field could be covered by by-laws and local regulations.

COMMISSIONER MacKAY: Is the field of highway transportation and the field of railway transportation in an analogous situation, Mr. Campbell? We have what you might call a Dominion code of railway laws, do you think there should be a Dominion code for highway driving?

HON. MR. CAMPBELL: I am not looking at it from the point of view of a transportation problem. I am looking at it simply from the point of view of the protection of the public, that is to say, the rate of speed and rights

of way and such things.

COMMISSIONER MacKAY: No, the railway legislation to which I refer contains provisions for the safety of the public.

HON. MR. CAMPBELL: Oh yes, that is the sort of thing I had in mind. I think if the matter could be worked out in this manner, it would provide a greater degree of uniformity. The local districts could be left to make such regulations as might be proper without conflicting with the main Dominion legislation. It would be necessary, of course, for some intimation to be given as to the form these regulations would take. The motorist, not only the Canadian motorist, but the visiting motorist would be given an exact idea as to what the law was throughout the whole of Canada in such matters as the rate of speed and right of way. At present, if he wanted to make a tour of several provinces, he is forced to get the acts of several of the nine provinces or as many as he wished to visit. The Dominion act could contain an appendix of the local regulations. I believe the same argument would apply with regard to intoxicating liquor. In this matter the Dominion could make a general enactment and leave the municipalities or the provinces a measure of local option. The desire of the local authorities or provincial authorities on this point of local option could be conveyed to the Dominion and expressed as part of the Dominion enactment. I realize that this is rather a new subject, but I think it is one which deserves consideration at an early date. The summary to this portion is contained on page 53 of the Brief submitted by the province. All such legislation to be passed by

the Dominion parliament, subject to regulations or local option of the provinces, the latter preferably to be embodied in Dominion legislation at provincial request--

THE CHAIRMAN: It is not necessary to read it to us, you have stated it in substance.

HON. MR. CAMPBELL: The only question is (e) the question of remissions. Such a system might give rise to some difficulties. It is for this reason that we advise some provision should be made for the granting of remissions by provincial authority. This would be for offences carrying a minor penalty. I think there is another suggestion which I have to make and that is that tickets of leave and remissions, should not, in any case, be granted without the consent of the provincial Attorney-General. This applies to the present constitutional situation whether legislative changes are adopted or not. It seems to me that it is not a proper state of affairs to have a provincial Department of Justice prosecute an offender and then have that offender released upon the advice of the Dominion government without consent of the prosecuting authority.

THE CHAIRMAN: You do that in certain minor offences, now, do you not?

HON. MR. CAMPBELL: Only so far as provincial enactments are concerned, my Lord.

Subsection F deals with the necessity for penal reform in this province, which, no doubt, applies to certain of the other provinces. Of course, some of the larger and wealthier provinces already have reform institutions. The province of Prince Edward Island has not been able to find the necessary funds for the establishment of such

institutions. The lack of such institutions is certainly being felt in this province.

THE CHAIRMAN: That will have to await the report, as you point out, of the Commission on Penal Reform.

HON. MR. CAMPBELL: I think so, my Lord. It is really not possible to discuss the matter in any detail until the report of that Commission is made available. I merely wish to intimate that this Commission should study the report of the Commission on Penal Reform if it is available while your deliberations are pending. I mentioned it here really as an illustration of our fiscal need. This question of penal reform is closely bound up with the question of juvenile delinquency. One of the greatest needs of this province is the need for a provincial institution for the maintenance of juvenile delinquents. This question has already been discussed to a certain extent.

THE CHAIRMAN: The question was thoroughly discussed yesterday.

HON. MR. CAMPBELL: In connection with the administration of justice, there is the suggestion concerning the administration on liquor laws which I have already mentioned. This is really a problem of national concern, and it is our contention that this should be within the jurisdiction of the Dominion. The revenues from the sale of liquor would naturally go to the Dominion. Of course, this province and the other provinces would need to be compensated for the loss in revenue which they would suffer through such a change. However, it seems to me that such a change would be beneficial. Of course, the municipalities would be given a measure of local

option. This local option would be free of any vested interests in the profits from the sale of liquor. I think that would be a desirable state of affairs. It has often been said to this province that we could lessen our fiscal need and perhaps help to balance our budget by a change in our liquor laws. I do not think it is a good position for any province or municipality to have to intermingle in the question of revenues from this source.

THE CHAIRMAN: In view of the existing decision of the Privy Council, it would look as if it would be necessary to have an amendment to the B.N.A. Act.

HON. MR. CAMPBELL: Oh yes, my Lord, I think the simplest amendment would be one which would define the meaning of criminal law. The definition which has been applied under the British North America Act would simply be extended. There is another question which would arise and that would be the enactment by the Dominion of highway traffic laws. I think it would be desirable if the Dominion would eliminate certain difficulties in cases of what is commonly known as motor manslaughter. Now, in England it has been provided on charges of manslaughter I think this is the substance of the legislation, a conviction may be obtained for what we call driving to the public danger. Under our present legislation a conviction practically means penitentiary. The Dominion attempted some years ago to provide some sort of intermediary offence. This offence was named criminal negligence but the courts have, quite properly I think, whittled down the significance of that amendment. I do not think it was well conceived. If we had a single jurisdiction as they have in England, then an intermediary

penalty in cases of driving to the public danger which results in death could be provided.

THE CHAIRMAN: Criminal negligence is very often a verdict in the courts of the province of Ontario.

HON. MR. CAMPBELL: The courts of this province have not held that it applied in cases where it is uncertain how death results. From a strictly legal point of view, manslaughter is criminal negligence causing death.

THE CHAIRMAN: There is a recent decision by the House of Lords which reviews this question of criminal negligence and draws a very careful distinction between the different types. One type gives rise to civil liability only, and when it is of greater degree than mere civil liability it is properly distinguished as criminal negligence. Criminal negligence is not that reckless disregard for life and safety which is necessary to constitute the crime of manslaughter. It is in that recent decision that these three classes of negligence are very clearly defined. Our courts in Ontario follow this division.

HON. MR. CAMPBELL: There is a difference in the English legislation because they have one jurisdiction, and what we call driving to the common danger, which is really an intermediary danger, and would be the second class of negligence to which your Lordship refers, is dealt with under the jurisdiction of Parliament. In Canada, that type of legislation is passed by the province.

THE CHAIRMAN: It depends upon whether the amendment to which you have referred, made by parliament a few years ago to provide for certain cases, is adequate to meet the

situation to which you are referring.

HON. MR. CAMPBELL: In this province it has been held inadequate.

THE CHAIRMAN: Then, the only thing for you to do is to ask the Dominion government to amend that clause and make it clearer; it is not a question of Dominion provincial jurisdiction.

HON. MR. CAMPBELL: If our court is correct in its contention, then the Dominion government could only make it clear by taking over what is now part of the provincial jurisdiction.

THE CHAIRMAN: It would only be defining a little more clearly the offence of criminal negligence, not taking over a portion of the provincial jurisdiction.

HON. MR. CAMPBELL: I think that would really extend the present scope of Dominion jurisdiction.

THE CHAIRMAN: The Dominion could extend the scope of its jurisdiction over criminal law enormously, as was decided in those references a year ago in the Privy Council. The only two Acts held valid in both the Supreme Court of Canada and the Privy Council were the Farmers Creditors Arrangement Act and an amendment to the criminal code. Although the amendment concerned a method of merchandising and created an entirely new offence, it was held that parliament was entirely competent, in regard to it. The parliament of Canada by means of the criminal law could prohibit anything which the parliament considered to be contrary to the public interest. It creates penalties for the violation of that law, and it is the judgment of the Privy Council that it must be something which parliament decides to be contrary to the public interest.

HON. MR. CAMPBELL: I quite realize that, but I do not contend any general constitutional amendment would be necessary to enable parliament to extend its scope.

THE CHAIRMAN: It seems to me that this is a matter which, if your courts have held that the present law is inadequate to cover this intermediary class of case, should be taken up with the Minister of Justice with a view towards getting it clarified.

HON. MR. CAMPBELL: I have already done that and my suggestion is that the whole scope of public safety regulations with regard to highway traffic might very properly come within Dominion jurisdiction. This was one example of the extension, perhaps a more urgent field of extension, which I had in mind.

(Page 4545 follows)

There was one point which your Lordship and the other members of the Commission expressed a desire that I should give some opinion on before closing, namely, the proposal of Maritime union. This very interesting proposal has in some form or other been mooted in different parts of Canada for many years. I remember partaking in a very interesting debate on the subject when I was attending the University at which Professor MacKay now gives instructions. And while as a live issue in the Maritimes, it seems to have lost interest, at the same time it crops up from time to time, particularly in central Canada.

THE CHAIRMAN: It was raised with us first in the Maritimes and then later in the West. The raising of this question, so far as the Commission is concerned, was not from Central Canada but from the Maritimes and from Western Canada, and in the West it was not Maritime union exclusively, it was the union of the Prairie Provinces and the Maritime Provinces as two groups, making five instead of nine provinces.

HON. MR. CAMPBELL: I think the position of this province can be very briefly stated. Our position is somewhat different, I take it, from those of the other two provinces, partly owing to our geographical situation, our size and our financial situation.

The first question propounded by your Lordship was as to whether any administrative saving could be effected by the Union. My opinion is definitely to the contrary so far as this province is concerned. I am not able to speak for the other provinces. There might be some advantage to be gained by a union of Nova Scotia and New Brunswick, either from the point of view of saving or efficiency. I am unable to speak on that point. But

from the point of view of Prince Edward Island, I emphatically believe that no saving could be effected. I do not think the number or duties of the present public service could be decreased to any extent whatever by our forming a part of a larger provincial union. I think the services which we maintain, particularly with regard to civil service, are maintained at an absolute minimum and could not be decreased, even if we were merely a branch of another administration. The salaries and remunerations paid to these officials could certainly not be decreased and if they were raised to the average standard of the other provinces or even to the average standard of the Maritimes there would be an increase of expenditure rather than a decrease. So that covers, I think, the ground of administration.

So far as legislation is concerned, the cost to this province is trifling. If we formed a part of a Maritime union our thirty members might conceivably be reduced to ten, but the four hundred dollars sessional indemnity which they now receive, or even the six hundred dollars indemnity proposed by the minimum model budget, would have to be largely increased because the members would then have a much larger territory to serve and in addition they would have a longer distance to travel. They would be farther away from home and longer away from home. Their expenses would be greater and their remuneration would naturally be greater. So that there could be no saving on that point.

From the general point of view I am afraid that this province would stand to lose. We feel that we do suffer in Dominion-Provincial relations by our numerical and geographical insignificance. But at the same time

perhaps we do gain and maintain a certain amount of prestige on account of being a provincial unit. We should lose that to a large degree by joining a Maritime union. We also feel that on account of our smallness we should form a rather insignificant part of such a Maritime province, and would have just as great difficulty in obtaining our proper rights as we now conceive that we have in obtaining them from the Dominion Government.

The third and possibly greatest difficulty, one of the greatest difficulties, would be the adjustment of Provincial debt. The provincial debt of this province is approximately \$59 per capita. I understand the corresponding provincial debt of the other provinces is about \$150 or probably more than that, - the provincial debt alone. In addition to that the other Maritime Provinces, I believe, have quite a considerable municipal debt which would be added to the provincial debt in a calculation of that kind. I do not know just how a matter of that kind could be adjusted and am very much afraid that any adjustment would be to the disadvantage of Prince Edward Island because we are in a different position from those other provinces. We have no natural resources such as they have and we cannot stand a heavy per capita indebtedness such as the other provinces presumably can and do undertake.

For those reasons it is impossible, so far as I can see it, that we should contemplate any definite union with the other maritime provinces. Of course, we have a great many interests in common and we are willing to, and do co-operate to a very large extent with the Governments and people of our sister Maritimes in making our claims to the Dominion and in advancing the common interests which have developed among the peoples of the

maritimos.

In conclusion, I wish to thank your Lordship and all the members of the Commission for the very kind, patient and courteous hearing which my colleagues and myself have enjoyed, and I trust that the deputies and administrators of the various departments will be able to give substantial assistance to the Commission in dealing with the questions which may be asked them.

THE CHAIRMAN: Mr.Campbell, there is just one further question I would like to ask and then Mr.Stewart, I think, has a few questions to ask. It is this: The net result of your submission, so far as the provincial terms are concerned, would be a relatively substantial addition to the Dominion contribution to the revenues of the province. Where is the Dominion to get the money for this? And this is no different from the claims of the other provinces. I think you are aware that the Dominion has been running in debt at a very rapid rate. The net public debt increased in six years, from 1930 to 1936, by \$828,000,000. It is perfectly clear the Dominion cannot go on at that rate with increasing public expenditure and public debt or she will find herself in the same position as some of the provinces. The Dominion must seek to balance its budget and one would think must seek to reduce the enormous public debt which we now have. Have you any suggestion as to where the Dominion would get the money to make this increased grant which you suggest should be made?

HON. MR.CAMPBELL: The only suggestion, my Lord, is that the condition of Dominion finances is due to the emergency conditions created by the recent depression. In years previous to the depression the state of Dominion

finances was satisfactory and during the years following the depression, I will not say for what reason, but the state of Dominion finances certainly seems to have been very rapidly improving. And the only hope that we can express is that the disastrous emergency affects of the depression on the Dominion finances has spent its force and that the Dominion finances will progressively and very rapidly improve, until they are again on a satisfactory basis.

THE CHAIRMAN: That is a hope which every one has. But you see, if we had two years of relatively good times, in the sense that they were years of much better conditions in Canada than during the acute period of the depression, and yet during those years we have increased the public debt. Now, if by any mischance this general slump in business to the south of us should extend to Canada so as to seriously affect our revenues it would not appear easy to reduce our present public debt.

HON. MR. CAMPBELL: I believe the deficit would have been wiped out during the past year if it had not been for emergency conditions in one of the provinces.

THE CHAIRMAN: That is during the year the budget would have been balanced but for the emergency condition in the West? I believe the Finance Minister has stated that and, of course, that is correct. But that is not making any provision for reducing this enormous public debt which has accumulated during this period of depression.

HON. MR. CAMPBELL: Of course that whole problem is a very difficult one.

THE CHAIRMAN: I am only putting it to you because it faces us. If we are asked to make recommendations, we are also asked to study the whole problem of the public debt, and we must consider the public debt as one of the important phases of our investigation.

HON. MR. CAMPBELL : It is an exceptionally important one and the whole question of the needs of the provinces must necessarily be studied in relation to the Dominion debt and the Dominion fiscal need. We can only put forward one side of it and hope that there may be some circumstances which will provide a means of adjustment. We realize the Dominion's problems. They must certainly be taken into account.

THE CHAIRMAN: Thank you, Mr. Campbell. Mr. Stewart, you have some questions to ask Mr. Campbell?

MR. STEWART: Yes, I have one or two.

COMMISSIONER SIROIS: Mr. Campbell, this Commission is not a claims commission, the word claims has never been mentioned and we have heard statements only of compensation. I find in your brief a sentence or a statement which has certainly been put there with a purpose. I find at page 10 the statement : "As a separate unit Prince Edward Island might have formed a very convenient base for smuggling operations". In these days would that be a basis for compensation asked of the Dominion Government because you have failed to become a base for smuggling operations? Why was that inserted? You are not obliged to answer.

HON. MR. CAMPBELL: That may have been one of the reasons why we made a mistake in 1873. But it is inserted there as a reason why pressure was presumably brought upon Prince Edward Island.

COMMISSIONER SIROIS: At this moment you do not think a compensation claim should be based on that?

HON. MR. CAMPBELL: No, it is only put there as being a factor contributing to the present fiscal need, the present situation.

MR. STEWART: Mr. Campbell, I would like to get this

loan for land purchase a little better in my own mind. As I understand it at the time of the entry of Prince Edward Island into Confederation there were no crown lands.

HON. MR. CAMPBELL: No Crown lands, we never had any Crown lands.

MR. STEWART: From 1767 on there were no crown lands?

HON. MR. CAMPBELL: No.

MR. STEWART: Recognizing that, one of the terms was that Prince Edward Island was to have an annual subsidy of \$45,000 in lieu of land?

HON. MR. CAMPBELL: Yes.

MR. STEWART: At the same time the Dominion lent \$800,000 to Prince Edward Island for the purpose of purchasing out the absentee land owners?

HON. MR. CAMPBELL: Almost \$800,000.

MR. STEWART: \$782,000.

HON. MR. CAMPBELL: I understand there was \$900,000 available, \$782,000 or \$783,000 was taken up.

MR. STEWART: The land covered by that purchase amounted roughly to 40% of the area of Prince Edward Island?

HON. MR. CAMPBELL: I don't know the details.

MR. STEWART: Roughly two fifths.

HON. MR. CAMPBELL: I think approximately. The other had been bought up by installments before that.

MR. STEWART: During the period from 1873 down to date that land has been re-sold.

HON. MR. CAMPBELL: Yes.

MR. STEWART: Largely to the tenants.

HON. MR. CAMPBELL: Mostly to the tenants who were in occupation at that time and their successors in title.

MR. STEWART: And what has become of the purchase price that the tenants have paid?

HON. MR. CAMPBELL: Well, it has paid the interest on the loan.

MR. STEWART: The interest on the loan has been paid direct by the province, has it not?

HON. MR. CAMPBELL: But that is all we got out of the sale of the land.

MR. STEWART: In other words you sold to the tenants at less than it cost you to buy it from the land owners, is that it?

HON. MR. CAMPBELL: Yes. Well, the total amount would be more if it was paid over a term of years, and the interest didn't balance up with the interest we paid to the Dominion.

MR. STEWART: It was approximately 1900 when the annual payments became quite small.

HON. MR. CAMPBELL: Yes, since 1900 they have been negligible.

MR. STEWART: Yes, but in the period from 1875 to 1900 approximately one million dollars was received from that source.

HON. MR. CAMPBELL: I think that is so, approximately the figure.

MR. STEWART: And that one million dollars was taken annually into the revenue account and used for general purposes.

HON. MR. CAMPBELL: It was really used to pay the interest on the loan.

MR. STEWART: Well, were you not paying interest on the loan through a reduction in your subsidy in lieu of land?

HON. MR. CAMPBELL: It amounts to the same thing, they balanced each other in any case. They substantially balanced each other up to 1900 and since then we have been

paying interest on the loan without any compensating revenue.

MR.STEWART: As a result the tenants of these lands are the ones who have benefited by the transaction, is that not so?

HON.MR.CAMPBELL: That would be on the assumption that the land holders did not get more than the actual value of the land. It would probably be the original land holders that really benefited.

MR.STEWART: Over the period the purchasers, the tenants, down to 1900, have paid approximately \$800,000 less in principal and interest than would have carried the purchase.

HON. MR.CAMPBELL: In principal and interest, yes.

MR.STEWART: Now on page 10 you make the suggestion that "left to herself ---

THE CHAIRMAN: Mr.Stewart, just a minute before passing from that. Then, Mr.Campbell, is not this the conclusion and the only conclusion one could come to on that transaction: The province got the \$800,000 to buy the land, it was acting as an intermediary, as Mr.Campbell said yesterday, between the landlords and their tenants. You used the money, you purchased the land and you either paid too much or sold at too little. You got that loan, you bought the lands and you didn't realize enough to pay the principal and interest of the amount. How is the Dominion possibly responsible for that? It seems to me it is a wholly Prince Edward Island transaction. That is the way it strikes me in the light of what Mr.Stewart has said.

HON. MR.CAMPBELL: The Dominion responsibility would be dual. In the first place there would be the intention to carry out a certain situation and the grant made for that

purpose apparently was not sufficient. The province was undoubtedly forced to pay certain amounts to the land holders in order to relieve the situation.

THE CHAIRMAN: That impression is confirmed by what I read somewhere. This claim was not raised for years after Confederation. You had the loan, you were buying the land and selling it again. It may be your misfortune that you did not realize enough from the tenants to pay the cost to the landlords but how is the Dominion in any way responsible for that?

HON. MR. CAMPBELL: As I say, there is the one argument that the Dominion intended this to perform a certain function and it did not.

THE CHAIRMAN: The agent to whom it entrusted the funds to perform the function did not carry it out so as to get the result.

HON. MR. CAMPBELL: Through an impossibility of circumstances. But I might say the main reason, the main bearing which this claim, if I may call it so, has on our submission is as a factor in our present fiscal need. That is really the main relevance which it has to the present inquiry.

THE CHAIRMAN: Thank you. It is all right, Mr. Stewart.

MR. STEWART: On page 10, the sixth paragraph, Mr. Campbell, the suggestion is made that "left to herself this province would have been perfectly capable of working out her own destiny, which might very well have resulted in a greater financial prosperity and well-being for her people than they have attained under Confederation"

I just wanted to refer you to a clause or two in the Duncan Commission report, particularly the third paragraph on page 9 and the first and second paragraphs on page 10, and

ask whether in your view those paragraphs to which I have referred are not inconsistent with the claim made on page 10?

HON. MR.CAMPBELL: Yes, quite inconsistent, Mr. Stewart, but I cannot help feeling that the Duncan Commission was wrong on that particular point. And it seems to me that their statement was rather inconsistent. It is really a general statement, it is not a specific finding, but it is really inconsistent with the attitude which they themselves took, because they took it for granted that the terms of their commission did not empower them to study the relation of the Canadian national policy upon the Maritime provinces. And therefore, I do not see how, without a study of that problem, they would be able to come to the conclusion that Confederation was not responsible for the fact.

THE CHAIRMAN: Confederation was not responsible for the National policy. The National policy was adopted ten years after confederation, and two of its leading exponents and advocates, perhaps more, were very outstanding maritime province men. So it was not Confederation that caused it, but it was the policy adopted subsequent to Confederation, was it not?

HON. MR.CAMPBELL: Well, of course, that does not prove that it was not a mistake to a certain extent.

THE CHAIRMAN: It does not seem to me that it was attributable to Confederation. You might say the incidence of a Dominion policy bears with undue weight upon you, that is one thing. It is another thing to say it is attributable to Confederation.

HON. MR.CAMPBELL: No, we don't mean Confederation. I do not think the Duncan Commission would mean the fact of

Confederation, but would rather mean the policies adopted as a result of Confederation. In any case I cannot deal in any great detail with that question, but I think the locus classicus for the study of that whole question is in the Honorable Mr. Rogers' (Professor Rogers as he then was) submission to the Jones Commission, which is really a classic on that point, no doubt well known to all Nova Scotian citizens.

THE CHAIRMAN: Yes, and it was filed before us by the Government of Nova Scotia.

HON. MR. CAMPBELL: Yes, I know it was filed. I think that was very apt.

MR. STEWART: Turning to the school system just for a moment, what is the basis of the contributions to school requirements? Does the province pay the teacher's salary?

HON. MR. CAMPBELL: The greater part of the teacher's salary. There is a fixed provincial fee or salary for each class of teacher. The rural school section is then required to supplement that salary by a local contribution and in some cases the province again contributes a further sum.

MR. STEWART: The provincial contribution is dependant upon the class of teacher?

HON. MR. CAMPBELL: Partly on the class of teacher and partly on the class of school. For instance a first class teacher in what is known as a second class school would only get second class pay.

MR. STEWART: And how are the schools classified? What would be the difference between a first class school and a second class school?

HON. MR. CAMPBELL: The number of scholars in attendance is the basis.

MR. STEWART: Is the amount of the school section supplement

regulated by provincial regulation or by the votes of the school section?

HON. MR. CAMPBELL: There is a minimum fixed by Provincial legislation.

MR. STEWART: And they can supplement further if they so desire.

HON. MR. CAMPBELL: Yes, they add to that.

MR. STEWART: The upkeep of the school is contributed to by ---

HON. MR. CAMPBELL: By the school district.

MR. STEWART: Generally speaking, are the school districts of fairly uniform prosperity over the Province?

HON. MR. CAMPBELL: No.

MR. STEWART: There is a good deal of variation?

HON. MR. CAMPBELL: Yes, a great deal.

MR. STEWART: How does the province make provision to equalize that?

HON. MR. CAMPBELL: The equalization is made through the payment by the province of the greater part of the teacher's salary.

MR. STEWART: But I suppose it does mean that the burden is heavier on some sections than on others?

HON. MR. CAMPBELL: Yes, some of the local districts find it very difficult to raise their allotment.

MR. STEWART: In some the allotment raised is much smaller than in others?

HON. MR. CAMPBELL: Considerably.

MR. STEWART: The aggregate amount?

HON. MR. CAMPBELL: Yes.

MR. STEWART: Generally speaking the province, then, deals with the sections on an equal basis as regards certain classes of teachers?

HON. MR. CAMPBELL: Yes.

MR.STEWART: Not on the basis of the fiscal need of the school section?

HON. MR.CAMPBELL: I do not think that would have any bearing on it.

THE CHAIRMAN: I did not catch the answer, Mr.Campbell?

HON. MR.CAMPBELL: I do not think the fiscal need of the district would have any bearing, except to say this, Mr.Stewart, that the grant of a more or less uniform salary would enable the poorer districts to contribute less than they would otherwise need to. I mean to say, if the province did not contribute a substantial amount or practically the whole amount of the salary then the poorer districts, with their fiscal need, as we might term it, would be practically unable to pay the teachers at all.

MR.TTEWART: I was just examining it with a view to the statement made at the bottom of page 24 in the brief, and with a view to pointing out how difficult it might be to achieve a general standard of education that would be the same throughout Canada. There are, no doubt, very great difficulties in the way of achieving that standard.

HON. MR.CAMPBELL: Yes, there are great difficulties in the way of achieving a uniform standard throughout a province. It would be a magnification of the whole problem.

MR.STEWART: Turning to Mothers' Allowances for a moment, has any provincial survey been made as to the number which will become entitled to the various standards?

HON. MR.CAMPBELL: No definite survey.

MR.STEWART: You do not know what financial outlay will be involved or the number of persons entitled to receive the benefit?

HON. MR.CAMPBELL: No, we could easily undertake a survey of that kind, but it has not been done yet.

MR.STEWART: Has it become a major issue, an insistent

demand for the payment of mothers' allowances.

HON. MR.CAMPBELL: There has been quite an insistent demand, inquiry nearly every day, but the question has simply been ignored as an issue because we have not got the funds to go into it.

MR.STEWART: Coupled with that, at page 29 is technical education. Has any study been made as to the nature of technical education required or the industries to supply the need of which you would want technically trained people?

HON. MR.CAMPBELL: Our feeling in general is that it should be more or less confined to agriculture and fisheries. Otherwise the tendency would be to induce young people to leave those industries and congregate in the cities.

MR.STEWART: Yes, and possibly leave the province.

HON. MR.CAMPBELL: And leave the province.

MR.STEWART: That might occur if you put technical education on a manufacturing basis. Nova Scotia was in that position some ten years ago, it was turning out trained engineers, none of whom stayed with us.

HON. MR. CAMPBELL: That is very apt to happen. The answer to your question might be illustrated by the action which the Government has taken in connection with the youth training scheme. Our courses have been limited to agriculture, fishing, leadership, forestry and the various phases of carpentry, that is carpentry with particular reference to the type of carpentry required on the farm, not general carpentry, but the carpentry required by a farmer, and the various aspects of domestic economy, home nursing, domestic service and things of that kind.

MR.STEWART: And those are the projects that Prince Edward Island has in contemplation when it is in sufficient funds to go ahead with further technical education?

HON. MR.CAMPBELL: I believe our technical education should be more or less confined to those aspects because otherwise there would be a trend away from the farm and away from the primary industries.

MR.STEWART: On page 31 you set out unemployment relief projects between 1930 and '37 amounting to \$1,493,000. In a general way, would you tell me of what those consist?

HON. MR.CAMPBELL: The largest single item would be the construction of a trans-Canada highway from Borden to Charlottetown which cost the province approximately \$510,000.

MR.STEWART: The Dominion paying, what was it, 35%?

HON. MR.CAMPBELL: Approximately that, of the cost.

MR.STEWART: Where there other highway projects included in the \$1,493,000?

HON. MR.CAMPBELL: Yes, other highway construction, sub-grading and bridges, - chiefly highways and bridges.

MR.STEWART: Which left a permanent betterment for the province?

HON. MR.CAMPBELL: Yes, undoubtedly, but I might point out that work of this kind is necessarily performed at a greater cost than it could be done by purely business methods under contract, because in the first place it has to be distributed in small allocations in different portions of the Province and the second place classes of labour have to be employed which are not nearly so efficient as would be secured in the ordinary method of contract.

MR.STEWART: And it is pretty difficult to estimate then what part of that cost is due to the fact that the work was let out for unemployment relief instead of 100% efficiency in operation?

HON. MR.CAMPBELL: Probably a third.

MR.STEWART: As much as that? On pages 33 and 34 the forms of taxation; is your gasoline tax restricted to gasoline used for motor vehicles?

HON. MR.CAMPBELL: Yes, pretty much. The general principle is that there is a rebate to those classes of service which do not cause wear and tear on the highway, but not all.

MR. STEWART: Motor boats and agricultural machinery run by gasoline get a rebate, do they?

HON. MR.CAMPBELL: They get a rebate, yes. Pleasure boats do not, fishermen's boats and farmers' implements.

MR.STEWART: In the list of taxes there does not appear to be any place for the ordinary corporation.

HON. MR.CAMPBELL: We tax them under the ordinary income tax Act.

MR.STEWART: There are no registration fees?

HON. MR.CAMPBELL: Yes, that goes under fees. We did not include that in taxes, because that is really shown as the provincial secretary's office.

MR.STEWART: There is no taxation based on the capital rest and reserve in companies, is there?

HON. MR.CAMPBELL: No.

MR.STEWART: In the model budget I notice an item of receipts for domiciled companies. Is that taxation or a fee?

HON. MR.CAMPBELL: That is a tax, a form of income tax.

MR. STEWART: Is that tax in operation now?

HON. MR.CAMPBELL: Yes.

MR.STEWART: Producing a revenue, as I understand it, of \$70,000 in 1936?

HON. MR.CAMPBELL: \$69,000.

MR.STEWART: Yes, approximately \$70,000. What is the nature of that tax, Mr.Campbell?

HON. MR.CAMPBELL: It is a tax on companies which have their head office or transfer agency here but do not do other business in the province.

MR.STEWART : They have their head office but do not carry on any functions or business in the province.

HON. MR.CAMPBELL : No other business beyond the transfer of securities, registry.

MR.STEWART: They are security holding companies, is that it?

HON. MR.CAMPBELL: I imagine a good many of them are. I have a copy of the act respecting those companies, (Produced to Mr.Stewart)

MR.STEWART: Are the officers of these companies resident in Prince Edward Island?

HON. MR. CAMPBELL: In some cases and in some cases not.

MR.STEWART: And as a general rule the shareholders are not resident in Prince Edward Island?

HON. MR.CAMPBELL: I think there is a rule that they must have their head office within a trust company within the province.

MR.STEWART: This source of revenue has not been in existence very long, has it?

HON. MR.CAMPBELL: Six or seven years.

MR.STEWART: I notice as between the model budget and the returns for 1936 -37 you are expecting a drop in the revenue there?

HON.MR.CAMPBELL : Possibly, yes. There was a drop of \$10,000 in 1937 over 1936.

MR.STEWART: Are the shares of these companies in the category/ ^{of being} subject to succession duty in Prince Edward Island where the owner of the shares is not domiciled in Prince Edward Island?

HON. MR.CAMPBELL: No, I believe that is one of the cases.

THE CHAIRMAN: Is not there a source of revenue?

HON. MR.CAMPBELL: Yes, we have already exploited that source of revenue, but we may point out that the Dominion Government gets almost a million dollars from that same source of revenue.

THE CHAIRMAN:No, I mean is it not a source of revenue if you made the shares in those companies subject to succession duties?

HON. MR.CAMPBELL: They would probably go to Bermuda or the Barbados or someplace like that.

THE CHARMAN: They are seeking a haven of rest from taxation, are they? They must find the island attractive.

MR. STEWART : At the bottom of page 34 you say, "The province is now under the most urgent necessity of expanding the public health service, particularly in the direction of the treatment and prevention of tuberculosis". Would you explain or have you any specific plan worked out for their treatment?

HON. MR.CAMPBELL: Yes, there is a plan which is under discussion at the present time. I suppose you are familiar with the fact that we have a provincial sanatorium?

MR.STEWART: Yes.

HON. MR.CAMPBELL: Which is run by a commission, but which involves the payment practically of the deficit by the province. When that institution was established some six or seven years ago it was provided that the provincial government would give an annual subsidy of \$12,000 and not more. That amount has been gradually increased until the present cost to the Government is in the vicinity of \$30,000 instead of \$12,000. Notwithstanding that there is urgent need of expansion and two proposals have been made to the

Government. The first is that a nurses' home should be built which would enable the nurses to move out of the main building and thereby the additional accommodation would be provided for patients. The second proposal is the establishment of a convalescent home which would enable some of the convalescent cases to be taken out of the main institution and thereby provide some further accommodation for more urgent cases.

MR.STEWART: I suppose a definite budget as to what this would cost per annum has not been made up yet?

HON. MR.CAMPBELL: Well, I think apart from the capital expenditure and interest, which might be taken care of in some other manner if the government assumed the additional cost which would probably be somewhere in the vicinity of fifteen to twenty thousand dollars a year additional.

MR.STEWART: Are your health services in respect to cancer as adequate as you would wish?

HON. MR.CAMPBELL: No, they are not as adequate as we would wish. The Government does practically nothing and some of the individual hospitals have services, but the government is not able to do anything substantial.

MR.STEWART: Is there any noticeable demand for health insurance in Prince Edward Island?

HON. MR.CAMPBELL: Not in that form.

MR.STEWART: There is for a certain amount of health services?

HON. MR.CAMPBELL: Yes, health services are more urgent than health insurance. We are not health insurance conscious yet.

MR.STEWART: On page 45 you speak of overlapping administrative cost in connection with old age pensions. Would you mind just telling us what you have in mind there? Is that the audit?

HON. MR. CAMPBELL: Yes, principally.

MR. STEWART: There is a certain amount of inspection, is there?

HON. MR. CAMPBELL: Yes, and a certain amount of detailed administration which is not very substantial but what there is might be eliminated.

MR. STEWART: On page 46, labour legislation, is there any demand in Prince Edward Island for unemployment insurance as such? I do not mean unemployment relief, I mean unemployment insurance?

HON. MR. CAMPBELL: No, not any very great demand.

MR. STEWART: Or hours of labour, weekly rest?

HON. MR. CAMPBELL: Those are handled by the municipalities.

MR. STEWART: And these are put in primarily in this brief because they have been raised elsewhere?

HON. MR. CAMPBELL: Because it may be desired by the other provinces, and if they are of national importance we do not wish to stand in the way.

MR. STEWART: There is just one other question with reference to transportation. In addition to the Borden-Tormentine service there are other subsidized services between Prince Edward Island and the mainland, are there not?

HON. MR. CAMPBELL: Yes, there is a service from Charlottetown to Pictou?

MR. STEWART: Yes, and another one connecting with Cape Breton.

HON. MR. CAMPBELL: There is a service there but I do not know just what portion of the subsidy is charged to Prince Edward Island.

MR. STEWART: Then there is also one from Pictou to the Magdalene Islands?

HON. MR. CAMPBELL: Yes.

MR. STEWART: There is a stop-over to Souris, is it?

HON. MR.CAMPBELL: Yes, but those services do not confer any substantial benefits. Of course there is a proposed Wood Island ferry which will be a very substantial benefit when complete and in operation, but we are in hopes that will rather increase the problem of the Borden and Tormentine route rather than diminish it, by providing a circular tourist route.

MR.STEWART: In connection with the subsidies now paid by the Dominion to the province I understand there is a sum of \$30,000 per annum which has been included in the subsidies since July 1st, 1901, which was paid and accepted in full settlement of all claims of this province against the Dominion of Canada on account of the alleged non-fulfillment of the terms of the Union between the Dominion and your province, as respects the maintenance of efficient steam communication between the island and the mainland. I am quoting from page 61 of the Dominion Acts of 1901.

HON. MR.CAMPBELL: I presume that would cover the claims up to that time.

MR.STEWART : But the payment is annually, is it not, from year to year? It is still included in the subsidies?

HON. MR.CAMPBELL: At the same time it would not cover any claim which we might have for a subsequent year of the obligation.

MR.STEWART: At that time, in 1901, there was no Borden-Tormentine service at all, was there?

HON. MR.CAMPBELL: No, not at that time.

MR.STEWART: The whole car ferry service came in 1913, was it, or shortly after?

HON. MR.CAMPBELL: A little later than that. Our submission, Mr.Stewart, is that portion of the British North America Act must be interpreted in the light of a reasonable current service and reasonable modern methods of transportation. What

was efficient in 1895 would obviously not be efficient in 1940.

MR.STEWART: I do not think we had communication with Montreal in any part of the Maritimes in 1873.

HON. MR.CAMPBELL: No, there was a question asked yesterday as to the time at which the Ocean Limited service had been inaugurated. My recollection of it is that the double service between Halifax and Montreal has been in operation for a great many years, but that prior to the establishment of the train known as the Ocean Limited it was joint service between the Inter-Colonial and the C.P.R. It went as far as St.John over the Inter-Colonial and then the rest of the way over the C.P.R, joint train service. There has always been the double service between Halifax and Montreal.

MR.STEWART: I think those are the only questions I have to ask.

THE CHAIRMAN: Thank you, Mr.Campbell.

HON.MR.CAMPBELL: I presume, my Lord, it is the wish of the Commission now to hear the deputies?

THE CHAIRMAN: Yes, we will hear them tomorrow morning at 10:30 if that is agreeable to everyone?

HON. MR.CAMPBELL: In that connection, Mr.Bentley, secretary of the Law Society has a submission which he wishes permission to make, and I would ask that he be heard first in the order of proceedings.

THE CHAIRMAN: Yes, that is quite agreeable. May I thank you for the very careful and thorough presentation you have made of the submission and views of the province on the matters we are called upon to consider, Mr.Campbell.

HON.MR.CAMPBELL: In return I would thank the Commission again.

MR. W.E. BENTLEY, K.C. : My Lord and gentlemen, before

we adjourn with regard to the matter the Law Society wishes to submit, the matter has been put in writing and it will now be in your Lordship's hands. There has been a suggestion made to me that the matters that are mentioned in it, while they are known to all the members of the legal profession and to practically all suitors who come into our courts, may not be known to the public generally either within this province or without this province, and conceivably it might not be in the public interest that the matters referred to in this memorandum be discussed publicly. I am quite willing, if it is considered that it is quite in order, to either deal with it by public discussion or privately, in any way your Lordship should see fit. I am available either this afternoon or tomorrow morning, at any time, either for public discussion here or for private conference.

THE CHAIRMAN: We have not yet seen the submission, so I cannot express any opinion on it.

(The Commission adjourned at 4:30 P.M. until)
(10:30 A.M. Saturday, February 12th, 1938)

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF PROCEEDINGS

FEB 12 1938

REPORTERS:

George Thompson
John Robertson
David Torry



CHARLOTTETOWN, PRINCE EDWARD ISLAND, FEBRUARY 12, 1938.

REPRESENTATIONS BY LAW SOCIETY OF PRINCE
EDWARD ISLAND

	<u>Page</u>
W. E. BENTLEY, K. C.,	4570-4576

LIST OF REPRESENTATIONS BY THE PROVINCE OF
PRINCE EDWARD ISLAND

DR. B. C. KEEPING,	4577-4581
L. B. MacMILLAN,	4585-4589
P. S. FIELDING,	4589-4598
O. W. CAMPBELL, ,	4600-4603
W. R. SHAW,	4603-4618
HON. B. W. LePAGE,	4618-4626
HON. THANE A. CAMPBELL,	4626
DR. W. J. P. MacMILLAN	4627-4634

CHARLOTTETOWN, PRINCE EDWARD ISLAND, FEBRUARY 12, 1938

LIST OF EXHIBITS

Page

Exhibit 162:	Memorandum presented by Law Society of Prince Edward Island	4576
--------------	--	------

CHARLOTTETOWN, PRINCE EDWARD ISLAND, FEBRUARY 12, 1938.

TOPICAL INDEX.

Page.

BENTLEY, W.E., K.C., ESQ. (Secretary of the Law
Society of Prince Edward Island)

THE CHAIRMAN:
Memorandum of the
Law Society

4570

Situation in P.E.I.
Courts with regard to
the hearing of appeals

4570

Saskatchewan Court
of Appeal

4573

THE CHAIRMAN:
Maritime Court of
Appeal

4574

Persons and corporations
outside the province
affected by inadequacy
of Court of Appeals

4575
4576

THE CHAIRMAN:
Request for memorandum
indicating annual
number of cases disposed
of annually by way of
appeal in P.E.I.

4576

KEEPING, DR. B.C. (Deputy Minister of Health)

STEWART, J. MacGREGOR: Examination of Dr. Keeping
on health services in
P.E.I.

4577

THE CHAIRMAN:
Free clinics in
P.E.I.

4579

Indian reserves in
P.E.I.

4580

Principal occupation
of Indians in P.E.I.

4580

COMMISSIONER ANGUS:
Public health service
for Indians

4581

Sanitation in Indian
reserves

4581

MacMILLAN, L. ESQ. (Deputy Minister of Public Works)

STEWART, J. MacGREGOR:	Examination of Mr. MacMillan on the activities of the Department of Public works and the supervision of unemployment relief projects	4585
		4588

THE CHAIRMAN:		
Unemployment in rural sections; children of farmers		4587

FIELDING, P.S., ESQ. (Deputy Provincial Secretary and Treasurer)

STEWART, J. MacGREGOR:	Examination of Mr. Fielding on the administration of direct relief	4589
		4593

THE CHAIRMAN:		
Provincial grant to Charlottetown for direct relief		4591

Statistics required by Dominion Department of Labour and by the Bureau of Statistics		4592
--	--	------

Administration of taxing laws of Prince Edward Island		4593
		4595

THE CHAIRMAN:		
Cause of unemployment in Charlottetown		4595

Increase of population in Charlottetown		4596
---	--	------

THE CHAIRMAN:		
Unemployed in Charlottetown from other provinces		4596

Unemployment in Charlottetown due largely to influx of people from other parts		4596
--	--	------

Class of people coming in from the country to Charlottetown		4597
---	--	------

Rehabilitation of poor farmers		4597
--------------------------------	--	------

People on relief in Charlottetown owning farms		4597
--	--	------

FIELDING, P.S., ESQ. (CONT'D.)

Dominion inspection of
local insurance companies 4598

Retention by the provinces
of law contracts and
the licensing of insurance
agents 4598

CAMPBELL, O.W., ESQ. (Superintendent of Old
Age Pensions)

STEWART, J. MacGREGOR: Examination of Mr.
Campbell on the ad-
ministration of Old
Age Pensions 4600

THE CHAIRMAN:
Determining scale of
old age pensions on
basis of cost of living
in different provinces
under Dominion adminis-
tration of old age
pensions 4601
4602

COMMISSIONER DAFOE:
Fixing of old age
pension rates by the
Dominion 4603

THE CHAIRMAN:
Difficulty of applying
a general principle
when one government
responsible for funds
and another for admin-
istration 4603

SHAW, W.R., ESQ. (Deputy Minister of Agriculture)

STEWART, J. MacGREGOR: Examination of Mr.
Shaw with regard to
agricultural matters
in P.E.I. 4603

THE CHAIRMAN:
Experimental farm
at Charlottetown a
Dominion institution 4607

Provincial control of
cheese marketing 4609

Dominion Marketing Act 4609

Value to farmers of the
Dominion experimental
stations 4610

Administration of ex-
perimental station at
Charlottetown by the
province 4610

SHAW, W.R., ESQ. (CONT'D.)

THE CHAIRMAN:

Provincial administration of agricultural college and experimental work in another province	4611
---	------

Fox experimental stations	4611
---------------------------	------

Deserted farms in P.E.I.	4612
--------------------------	------

Lack of equipment on farms	4612
----------------------------	------

Assistance to farmers	4612
-----------------------	------

Conditions in Saskatchewan	4614
----------------------------	------

Price of farm products during depression	4614
--	------

Potatoe prices	4614
----------------	------

Feed requirements; hogs	4615
-------------------------	------

THE CHAIRMAN:

Feeding of hogs	4616
-----------------	------

Growing of barley in Maritimes	4616
--------------------------------	------

Shipment of oats to Nova Scotia from P.E.I.	4616
---	------

THE CHAIRMAN:

Handicrafts	4617
-------------	------

COMMISSIONER DAFOE:

Hand looms	4617
------------	------

Source of barley imported to P.E.I.	4617
-------------------------------------	------

THE CHAIRMAN:

Cooperative movement in P.E.I.	4618
--------------------------------	------

LePAGE, HON. B.W. (Minister of Fisheries)

Fishermen's relief assistance	4618
-------------------------------	------

Decrease in the value of P.E.I. fisheries	4619
---	------

THE CHAIRMAN:

Cause of decrease in value of fisheries	4619
---	------

Dominion Government loans to assist fishermen	4619
---	------

LePAGE, HON. B.W. (CONT'D.)

THE CHAIRMAN:
Length of the
fishing season 4620

Lobster fishing 4620

THE CHAIRMAN:
Unemployment of
lobster fishermen 4620

Supplying of boats
and nets to fishermen 4620
4621

THE CHAIRMAN:
Estimates for grants
to fishermen under
Department of
fisheries 4621

Necessity for assistance
to both fishermen and
farmers 4623

Assistance in process-
ing of fish 4623

Need for bait freezers 4624

COMMISSIONER ANGUS:
Restricting the number
of fishermen by
licensing 4625

COMMISSIONER MACKAY:
Types of fishing
carried on in P.E.I. 4626

Unilateral legislature
in P.E.I. 4626

MACMILLAN, DR. W.J.P. (Former Leader of the
Opposition)

Incomes of fishermen 4628

Difficulties of
farmers 4629

Crown Lands 4630

Railway debt 4630

Transportation
difficulties 4630
4631

Salaries to provin-
cial public servants 4632

THE CHAIRMAN:
Value of cabinet
ministers 4633

Low scale of salaries
for P.E.I. Civil Service 4633

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

CHARLOTTETOWN, PRINCE EDWARD ISLAND, FEBRUARY 12, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Supreme Court Building, Charlottetown, Prince Edward Island, on Saturday, February 12, 1938, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS)	
JOHN W. DAFOE, Esq.)	
)	Commissioners
DR. ROBERT ALEXANDER MacKAY)	
)	
PROFESSOR HENRY FORBES ANGUS)	

Commission Counsel:

James McGregor Stewart, Esq. K.C.

Secretariat:

Adjutor Savard, Esq.	Acting Secretary
R. M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the Secretary

FOR THE GOVERNMENT OF PRINCE EDWARD ISLAND:

Hon. Thane A. Campbell	Premier
Mr. MacMillan	Deputy Minister of Labour
Mr. B. C. Keeping	Deputy Minister of Health
Mr. W. R. Shaw	Deputy Minister of Agriculture
Mr. P. S. Fielding	Deputy Provincial Secretary and Treasurer
Hon. B. W. LePage	Supervisor of Fisheries
Mr. O. W. Campbell	Supervisor of Old Age Pensions
Mr. W. E. Bentley, K.C.	Secretary of the Law Society, P.E.I.
Dr. W. J. P. MacMillan	Leader of Conservative Party

Court House,
Charlottetown, P.E.I.
February 12, 1938

MORNING SESSION

The Commission resumed at 10.45.

MR. W.E. BENTLEY, K.C., Secretary of the Law Society, was called.

THE CHAIRMAN: Mr. Bentley, we have all had the opportunity of reading the memorandum of the Law Society. It does not appear to us that there is anything in it which would justify the Commission in departing from its usual practice, and hearing it in camera. I do not mean by that to say circumstances may not arise in which it would be desirable for us to sit in camera, but we do not think this matter is one. It is not complicated; it is a simple problem. You have provided for four judges under your Adjudicary Act, and the Dominion has appointed only three, and in certain conditions in appeal you find that embarrassing.

MR. BENTLEY: Yes. My Lord, and Gentlemen, the reason suggested as to whether it might be considered advisable that this discussion should not be held in public is this: While the situation in our courts is well known to all members of the legal profession, and has been known for years past, and is also known to many litigants who come before our courts, it may not be known or realized by the general public, either within this province or without the province. We did not wish, by presenting the matter to the public as it is, to possibly impair public confidence in our courts or in the administration of justice in this province. The matter is observed by reading the memorandum. It particularly affects us with regard to appeal brought from a judgement of a single judge of the Superior Court in this province. As appears

from the memorandum, we have three superior court judges only, and they have to function as trial judges and also as judges in appeal, when there is an appeal. It was considered a good many years ago that it would not be advisable that the trial judge should sit again on an appeal from his own judgement, so statute has disqualified him from sitting in appeal. That leaves only two members of the Superior Court judges to sit on appeal. Then, if they happen to differ in opinion, it is just one against one, and there is no majority. And the appeal, of course, is dismissed.

THE CHAIRMAN: Of course, in that case, you have two judges, the trial judge and one of the appeal judges; it is really two against one in that case.

MR. BENTLEY: Yes, that is quite true, my Lord. Sometimes, of course, points of law have not been perhaps fully dealt with by the trial judge which are more fully brought out in the appeal. However, there is the situation which has been realized for many years past by the members of the legal profession in the province. Twenty-six years ago they passed a unanimous resolution, by which they urged that the government of Canada should appoint an additional judge, making four judges, so that when appeals were brought, they could be heard before three judges and, therefore, there would be a majority if there was a difference of opinion. That application was not successful.

Again, in the year 1922 the matter was taken up with the government at Ottawa, and the provincial legislature passed an act declaring that the bench of the Supreme Court should consist of four judges, namely, a Chief Justice and three other judges, the purpose being that there would be three judges to hear an appeal.

We have no difficulty, I might say, with regard to the trial judges; there is no difficulty on that score. It is only when it comes to an appeal we think there should be an adequate appeal court within the province so that we might not be met with such a situation, in that if the appeal is heard by two judges and they differ in opinion, there is no majority. We also have this occasional situation, -- it exists at the present time, and has existed before, -- if a judge is disqualified or absent on leave, it leaves only one judge to function in the Bank Court of Appeal, or sit as a Court of Appeal in Equity, sitting alone, -- when he sits on such a Court of Appeal to reverse the judgement of his colleague, the trial judge, although it is possible that the judge who sits as a Court of Appeal, or the Supreme Court in Bank, may by virtue of his appointment be junior to the trial judge. This is a situation which we feel, and have felt for some time past, is one that should be relieved by the appointment of an additional judge by Ottawa.

Cases are coming before our courts, -- there are a number of cases on the docket right now. The court will sit next week, I might say, and some of these cases involve considerable amounts. They are capable of being appealed to Ottawa at times. There are times, however, when we cannot appeal to Ottawa. The smallness of our population, apparently, must have been considered many years ago, and the fact that the amounts in dispute in this province, a province composed largely of farmers, might not be so large as those in other provinces where industries prevail, and we were given special privileges of appealing to Ottawa. If the amount in dispute was as small as \$250.00 we had the right to appeal to the Supreme Court of Canada. In the year 1930 that privilege was taken

away, It was changed so that the amount in dispute had to be \$2,000 or upwards; this apart, of course, from special leave granted. The Law Society in this province protested against that, and I understand the government also protested, but the act was passed. That took away from this province a large portion of the right to appeal to Ottawa. In the year 1922, no doubt realizing that situation, the provincial legislature passed the Act already referred to.

We think that under the terms of the British North America Act the provincial legislature is the proper authority to decide upon the constitution of the Superior Court, and when they decided that it was necessary that four judges should sit, we believe that it may have been the duty of the Dominion Government to comply and to enact such legislation as would have enabled this province to have four judges.

That is the case on behalf of the Law Society, and I thank you for the opportunity of presenting it.

I may say, in the year 1922 when this island statute was passed, I happened to be in Ottawa with another member of the bar of this province. We interviewed the Minister of Justice, the Prime Minister, and others on this subject. At that time there was before parliament an amendment effecting Saskatchewan. The Saskatchewan Court of Appeal at the time consisted of four members only, and occasionally they would divide two against two, and the result, of course, being negative, the appeal would be dismissed. That was considered unsatisfactory. Saskatchewan applied to have the situation remedied, and in compliance with their request Saskatchewan obtained five judges of a court of appeal. The suggestion was made to us that if we did the same, a similar result might obtain, but it has not. So we come

THE CHAIRMAN: Thank you, Mr. Bentley. Of course, it is a matter wholly within the province of the federal government; ~~They can~~ make the appointment. It does not require that any further legislation be enacted. I assume, without any knowledge of the situation, that the reason they have not made the appointment is that they did not feel there was work for four Superior Court judges in Prince Edward Island. I cannot think of any other reason. With three judges you have one superior judge to about 30,000 of population. I do not know what it is in other provinces. In Ontario, including the Court of Appeal, the ratio is one judge to about 175,000 of population. I appreciate the point you have raised, that on an appeal where you have an even court difficulty is bound to arise, particularly if one judge is absent. May not the solution be what has been suggested to me since I came here,-- a Maritime Court of Appeal, The three Maritime Provinces would combine in having a common court of appeal, say one judge from Prince Edward Island, two from Nova Scotia, and two from New Brunswick, -- without any increase in the number of judges, possibly a decrease. That was the suggestion made to me. Nova Scotia has no court of appeal, but New Brunswick has. It may be that it could be worked out that there would be a decrease in the number of judges, and thus diminish rather than increase the public expenditure.

MR. BENTLEY: Perhaps I might be allowed to say a word on that subject, my Lord. We realize that, and four years ago, having observed that the present Chief Justice Baxter of the Appeal Court in New Brunswick had been present at a dinner of the Nova Scotia Barristers Society, in Halifax, and had given an address in which several of these matters were touched upon. I took up the matter with

Chief Justice Baxter; we had considerable correspondence on the subject, one of the subjects being the possible establishment of a Maritime Court of Appeal. There seemed to be a favourable opinion in certain quarters; I was given to understand that certain judges in Nova Scotia, and at least one in New Brunswick, were favourable to the idea. Following that up, I went to Halifax. I interviewed certain members of the bar there, whom I thought were leading members. I discussed this matter with them, presenting the matter just as your Lordship has put it, that possibly two judges from Nova Scotia, or three, if they wished, three from New Brunswick, or two, as the case may be, and one from Prince Edward Island, could constitute a Maritime Court of Appeal. It was promised that the matter would be taken up before their Barrister Society. I believe it was taken up, but they apparently felt that the courts in Nova Scotia are quite satisfactory, and that the courts in New Brunswick are apparently quite satisfactory to all parties there, and no results followed.

We feel, therefore, the principle being established that the province has a right to declare what shall be the proper constitution of the court, and this legislature having so declared that while it remains an autonomous province it should have an adequate court, so that there will not be this humiliating position of having, so as on so many occasions we have had to do -- to explain the situation to clients. It affects persons and corporations outside of Prince Edward Island perhaps more than those within the province. I might mention this to give a specific instance; within the past few months I have been interested in four appeals from a decision of a Superior Court Judge. In all those cases the party or persons for

whom I have acted, either directly or indirectly, were persons or corporations outside the province. So that it effects more persons than those in the province of Prince Edward Island. It is a matter affecting the Dominion as a whole, -- affecting the rights of persons say in Ontario who have litigation in Prince Edward Island. Ontario corporations, insurance companies, and so on, cannot realize the situation, where there is an appeal from a single judge sitting in appeal.

THE CHAIRMAN: I suppose if the province had to pay the salaries there might be more likelihood of them getting together on the question of a Maritime Court of Appeal, but where the Dominion has to pay the salaries the urgency is not so great from the provincial point of view.

I am pleased to hear the results, however, of your judgements, appear to be very satisfactory, and that there has been only one reversal in the past forty years by the Supreme Court of Canada of judgments from this province, and that was based upon decisions which were afterwards reversed by the Privy Council.

I would be glad, Mr. Bentley, if you, or some member of the Government, would prepare a memorandum which might be sent to us, indicating the number of cases that are disposed of in the year by way of appeal, -- the number of high court cases, county court cases, and criminal cases, so that we may have a statement of the situation. Thank you.

MR. STEWART: I think it would be well to mark the submission of the Law Society as Exhibit 162.

EXHIBIT NO. 62: Memorandum presented
by Law Society of
Prince Edward Island.

THE CHAIRMAN: We will hear from the Deputy Minister of Health.

DR. B.C. KEEPING, Deputy Minister of Health, was called.

BY MR. STEWART:

Q. Dr. Keeping, you are the Deputy Minister of Health of the Province of Prince Edward Island? A. Yes.

Q. Would you outline the health service which is now given in Prince Edward Island by the provincial government?

A. The Department of Health is composed of a Minister and Deputy Minister. In connection with that I might mention that the Department has also -- although not exactly in the Department of Health -- the provincial sanitarium, to handle tuberculosis. We have a nurse supervisor, and four field nurses. We have a full time sanitary officer, two part time physicians in charge of venereal disease control, with a clinic in Charlottetown and a clinic in Summerside. We have a central administration in the provincial sanitarium at Charlottetown. I might say, besides being Deputy Minister of Health, I am also Deputy Registrar General, all births and marriages and deaths of the province are handled at the central office in the provincial sanitarium.

Q. What are the duties of the sanitary officer?

A. The sanitary officer is an officer at large in the province; he covers the whole province as his territory, and he examines the creameries, butter factories, lobster factories, poultry killing plants, butcher shops. He inspects meat outside of Charlottetown, -- the butcher shops; and investigates any complaints of an unsanitary character, school premises, hotels, boarding houses, ice cream plants, -- where it is made and sold; just generally of that nature.

Q. Does he perform the duties in Charlottetown? A. Not in Charlottetown, no sir.

Q. They have ~~offices~~ ^{offices} elsewhere? A. We have a sanitary officer of Charlottetown, who is, I may also say, the health

officer for Charlottetown.

Q. In the various school districts is any provincial aid given for health service? A. To some extent, yes. We have been assisting the dental clinics, trying to get them inaugurated in the school districts, and the health department has been paying the expense of the first clinic in the district up to $73 \frac{1}{3}$ per cent of the cost, but for only the first clinic, to try and stimulate interest, the district having to raise the other two thirds in any manner they see fit. Then, the ~~growth~~ of the children of school age up to and including thirteen years of age are attended to, no questions being asked whether they are indigent or not.

Q. In connection with the tuberculosis hospital or sanitarium, is there any Dominion contribution to that service? A. None whatsoever, sir.

Q. And the province is spending approximately how much a year on that? A. On the tuberculosis service?

Q. Yes. A. Well, last year it spent about \$28,000, as near as I can recollect. I might say that is government money. There was some voluntary money spent in addition to that.

Q. From private subscriptions? A. We have what is known as an Anti-tuberculosis League. It is a voluntary organization, and they have been supporting the travelling tuberculosis nurses in the field.

Q. Is there any need of further accommodation at the sanitarium? A. Yes, there is a crying need. We have one bed per tuberculosis death per year. That is only about one half of what we should have, according to what is considered the minimum requirement to handle the tuberculosis situation.

Q. What health service is being carried on in Prince

Edward Island by the Dominion of Canada? A. There is very little, sir. We have no marine hospitals. I believe there are some Dominion men working in connection with the health of cattle, and so on, examining the organs of animals in meat packing plants and so forth, but apart from that I would say it is almost nil. In fact, I do not come in contact with any of them in my work.

Q. Is there any work done for sick sailors? A. Well, there is a Dominion regulation in regard to sick mariners; captains of ships pay so much per tonnage of the ships per year at certain ports. We do not see very much of that in this province because we do not have very many ocean going ships touching here.

Q. I suppose sick sailors would be taken to the city hospital here? A. Yes, that is right, and the money comes out of the Sick Mariners Fund, to pay their expenses.

Q. Is the Dominion doing any research work in health in the province? A. No, absolutely none.

Q. But, I suppose Dominion research work at Ottawa is available to your department here? A. Yes, we can make use of that. We can send in anything to be examined if we want to.

Q. I understand that in connection with your venereal disease clinics supplies are given free by the province? A. That is what it amounts to, sir. We never get paid for it. There is no ruling they are to be supplied free, but the clinics are free and apparently they are all indigent who require it. No funds come in, anyway.

THE CHAIRMAN: Perhaps you are not as strict in administering that form of relief as they are in some other provinces.

BY MR. STEWART:

Q. Is there anything done by the Dominion for the health

of Indians in the province? A. Well, only last year, in 1937, I believe there was a grant available for the Indians of this province, of a thousand dollars, in connection with some tuberculosis work. That has been emphasized a great deal more of late. There was a thousand dollars available, I believe, to be spent in Prince Edward Island providing it could be made available to the Indians. We have about 240 Indians in the province, and we have not enough staff at the present time to handle our own tuberculosis needs. I am afraid that the thousand dollars will not be expended by the Dominion government for the reason that we cannot take advantage of it.

Q. That was made available to the province, if the province would undertake to expend ... A. I believe that thousand dollars was available. I was told last summer by the Indian agent that there was money available to that extent.

Q. But nothing was done? A. Nothing was done.

THE CHAIRMAN: Are the Indians on a reserve here, or are they settled among the whites?

DR. KEEPING: We have one reserve, but it is a very small one and they migrate according to the tides, I might say. They are here today and gone tomorrow, and back again. They move around a great deal.

THE CHAIRMAN: What is their principle occupation?

DR. KEEPING: Basket making. They do a little bit of farming and a little bit of fishing. There may be other occupations.

COMMISSIONER ANGUS: Is there no public health service among the Indians?

DR. KEEPING: I have myself vaccinated the Indians on the reserve. When I am going around working in the schools I take the Indian School too. I did that at no charge.

COMMISSIONER ANGUS: What about sanitation on the reserves?

DR. KEEPING: Well, in a way they got almost the same service. Wherever they happen to be, if there are complaints to investigate we go there whether we should or not. We investigate complaints the same as among the white people. The federal government looks after the sick Indians here in the province.

BY MR. STEWART:

Q. Has the Dominion a special health officer to look after the Indians? A. No. There are one or two physicians in the province who have an appointment, I understand, to look after the Indians. I mean, when they are sick they treat them, and they get paid by the Department of Indian Affairs at Ottawa.

Q. In your opinion, is there any overlapping between the Dominion and the provincial authorities? A. I would say absolutely none, sir. They do not overlap because they do not do any lapping with the Dominion.

THE CHAIRMAN: There is nothing to overlap.

MR. STEWART: I think that is all, my Lord.

(Page 4585 follows)

MR. STEWART: The next person to be heard is Mr. L. B. MacMillan, Deputy Minister of Public Works.

MR. MacMILLAN, Deputy Minister of Public Works, was called.

BY MR. STEWART

Q. You are the Deputy Minister of Public Works? A. Yes.

Q. Under your department, what activities are carried on? A. Well, we have charge of all roads, bridges, highways, public buildings, wharves, ferry docks and exhibition grounds.

Q. You also supervise the unemployment relief projects?

A. Yes, supervised the unemployment relief projects.

Q. But not direct unemployment relief? A. Not direct, no.

Q. As between your department and the Department of Public Works at Ottawa, is there any overlapping of activities? A. I do not think so; of course, wharves are a Dominion right, but in the matter of ferry wharves, they are jointly owned. The province has to maintain the ferry slip, we maintain that because it is necessary as part of the highway upon which the cars travel. We have no trouble with the Dominion department; we always co-operate. Our department does its work and the Dominion department does the work allotted to it.

Q. Have you a permanent maintenance force to look after that work? A. No, it is just in the day's work, whatever is required, we do.

Q. The unemployment relief projects of the island consist mainly of projects on roads? A. I can tell you exactly of what they consist. Commencing in 1930, when the first relief act was passed and continuing until 1937,

there have been one hundred and twenty-seven projects undertaken. Eighty-eight of these projects related to highways, twenty-two to municipalities, eight to wharves, eight to public buildings and one to exhibition grounds. I can also inform you as to exactly what was spent during those years. The total relief expenditure on these projects from 1930 to 1937, was, \$2,321,493.00. The Dominion contribution was \$918,688.00. The net cost to the province amounted to \$1,402,805.00. In addition to that, the federal government contributed towards the municipal liabilities \$76,699.00. The local government contributed towards the municipal projects, \$90,443.00.

Q. These monies were all expended under the supervision of your department? A. Yes.

Q. Was any of it made by the Dominion government?

A. They are not all audited yet; last year the system of auditing was changed. The Dominion representative came and audited this fall, but there are some figures which are not yet audited.

Q. Is there only one Dominion audit? A. I presume there is only one audit. The Dominion sent their auditor and an audit was made which cleared nearly everything up.

Q. Prior to the past year, there were two audits, were there not, one by the Department of Labour and one by the Auditor General? A. There were practically two, yes. We regard the Auditor General's audit as the final audit.

Q. The unemployment relief projects were designed to relieve unemployment, mainly in the cities and towns but also in the country? A. This province is nearly all rural; there is practically no municipal government outside of Summerside and Charlottetown. There are two or three small

villages, but wherever the highway department is concerned, practically all the highway work is done by the highway department.

Q. This relieves the unemployment situation throughout the whole province? A. Throughout the province as a whole.

Q. Is there much unemployment in agricultural labour here? A. Yes, there are quite a few unemployed throughout the rural sections of the province. Prior to about 1931, all our excess population left the province, but since that time the natural increase has remained here. For the past six or seven years, this increase of approximately 900 per year has swollen our population and increased the unemployment in rural sections.

THE CHAIRMAN: This would not be unemployment which would need help; the children of farmers usually help on the farm.

MR. MacMILLAN: I do not think there is anyone who needs more help than the poor farmer. If a man is on a poor farm and has a large family to support, he needs help.

THE CHAIRMAN: I am thinking of the normal condition before this system of unemployment relief was introduced, if the young people did not leave the farm, they were maintained upon the farm at home.

MR. MacMILLAN: But they were leaving the farm. Up until the time of the depression, we lost all our natural increase as well as about 30,000 others, which meant we were losing people at the rate of approximately fifteen hundred per year, figuring it out on an annual basis. You see, the farmers have fairly large families and if a

man had only one farm, he could not provide for five or six children.

BY MR. STEWART

Q. In your opinion, Mr. MacMillan, have the unemployment relief projects been carried on economically? A. That is a difficult question; in some sections men are anxious for the work and fairly willing to do the work, while in other sections the men are not such good workmen, are not very well fed and there is a greater number of men than is needed for the work. You have to employ twice as many men as the work actually requires. This makes the work very much more expensive.

Q. Would it have been possible, in your opinion, to have the work done more economically if it had been under the supervision of the federal government? A. I do not think so; I do not think the federal government could administer it any more economically than we have done.

MR. STEWART: I have no more questions to ask, my Lord.

MR. MacMILLAN: The Department of Labour at Ottawa seems to have the idea that the amount of money which it expended on relief projects in conjunction with this province was money saved by the province. The Department seems to believe that this province is saving money by having work done under relief projects. In order to satisfy everyone on that score, I have prepared a statement which shows the amount we expended upon highways for the seven years previous to 1929, as well as the seven years after 1929. Our total expenditure for the years 1922-29, was \$1,199,938.00. The expenditure covering the years 1930 to 1937, amounts to \$2,395,746.00. This means that we expended for the seven years from 1930 to

1937, an amount which was \$1,195,763.00 in excess of the amount expended for the seven years from 1922 to 1929. This statement proves conclusively, I think, that during the seven years of so-called depression we actually expended more money than we did before the depression and that we did not save anything by this system of Dominion contributions towards relief projects.

THE CHAIRMAN: Thank you, Mr. MacMillan.

MR. STEWART: The next person from whom we will hear, is Mr. P. S. Fielding.

MR. P. S. FIELDING: Deputy Provincial Secretary and Treasurer was called.

BY MR. STEWART

Q. Mr. Fielding, you are deputy provincial secretary and treasurer ? A. Yes.

Q. It was under the jurisdiction of your department that direct relief, came, was it not? A. Yes.

Q. Would you explain how that was carried on? A. I have only been in the department approximately two and one half years, and since I have been there, the system has been the distribution of an amount by the province part of which came out of provincial funds and the other part of which was received as a grant in aid from the Dominion government. About fifty per cent of it would go to the City of Charlottetown in the form of a grant in aid to the city, and the balance would be distributed in the form of cash payments to applicants upon the approval of the relief committee. These payments were made through the provincial government.

Q. In the cities and towns there were relief organizations with which your department cooperated, were there not?

A. The city council of the city of Charlottetown.

The amount paid by the other towns is negligible.

Q. Throughout the rest of the province, there were no municipal organizations and relief was administered directly by the province, was it not? A. Yes.

Q. Under the direction of the department with which you are associated? A. Yes.

Q. The province paid its relief in the form of cash payments, did it not? A. Cash relief.

Q. And in the city of Charlottetown, what form did the relief take? A. The city provided fuel and food.

Q. Did it provide housing? A. No.

Q. Any contribution towards rent? A. No.

Q. Or medical services? A. No.

Q. In your opinion, was the direct relief administered economically? A. Very much so insofar as the province was concerned.

Q. In your opinion, could it have been administered more efficiently by the Dominion government or more economically? A. No, I do not think so.

Q. Why do you say that, Mr. Fielding? A. Relief was paid only after investigations were made by the Royal Canadian Mounted Police and reports made to us. These reports were very carefully considered. I cannot see where the Dominion government could institute any economy measures. The investigations were very carefully made and the reports carefully considered by the relief department of the government. I do not think the system could be improved upon very well, although, I think the Dominion government could use the same system to advantage.

Q. You think the Dominion government could use the same

system of local advice and administration? A. Quite so.

Q. Prior to the inauguration of the policy of direct relief arising out of the depression, what was the organization in Prince Edward Island for the relief of the poor? A. I believe there was what is known as a paupers' fund.

Q. A provincial fund? A. It was a provincial fund or at least, paupers' allowances were made in certain cases by the provincial government.

Q. Can you tell us what organization there was for the administration of that fund? A. No, but I think it was the Executive Council.

THE CHAIRMAN: This grant made to the municipality, or at least, to Charlottetown, for the people in that city, was it a direct grant by the government?

MR. FIELDING: A direct grant by the government.

BY MR. STEWART

Q. I suppose there were some poor organizations, organizations for the relief of the poor in the city of Charlottetown? A. I think most of the relief in Charlottetown prior to the time I have mentioned was handled by the churches. There might have been a small list of recipients who were given aid by the city.

Q. Have you any idea of the number to whom poor relief was given prior to the depression? A. No, I have not.

Q. I would judge it was not a very serious problem at that time, from the way you speak? A. Within the city of Charlottetown; no; I think it was handled by the churches and the smaller charitable organizations.

Q. Similarly the situation outside the city of Charlotte-

town, the provincial situation, was it the same? A. The provincial government expended approximately \$7,000.00 a year on this item, prior to the depression.

Q. That was the appropriation for this paupers' fund which you have mentioned? A. Yes.

Q. Has there been, in the matter of direct relief, any duplication between the activities of the Dominion government and those of the provincial government? A. No, apart, of course, from the requirement of the Dominion government for statistical purposes. We have been required to keep our records in one form to meet the standard set by the Department of Labour at Ottawa and, of course, as a temporary measure, the national unemployment commission which is a statistical branch of the Department of Labour. Then, we are required to keep these statistics in another form to meet the requirements of the Dominion Bureau of Statistics.

THE CHAIRMAN: Are their requirements different, then?

MR. FLEMING: The forms required for the returns are different in each case. To me, it always seemed rather peculiar that the Dominion Bureau of Statistics could not get this information from the Department of Labour to which department we are already furnishing the figures.

THE CHAIRMAN: You think the Dominion Bureau of Statistics should obtain its returns from the Dominion department to which you already make these returns? If the two Dominion departments should adopt the same form required for these returns, it would be better, I suppose?

MR. MacMILLAN: Yes.

THE CHAIRMAN: You would simply send in duplicates, then, and it would not make much difference, I suppose?

MR. FITZGERALD. No, it would not make much difference.

BY MR. STEWART

Q. Your department also administers the taxing laws of the province, does it not? A. Yes,

Q. The suggestion has been made to the Commission on more than one occasion that a certain uniformity of registration forms and taxation forms would be of great benefit to industry as a whole or corporations as a whole, throughout Canada, that is, a uniformity in the information being supplied to the various provincial and Dominion governments: has that question received any consideration by your Department? A. No, you refer, I presume, to the information to be filed by corporations doing business within a province?

Q. Yes. A. This province does not require a detailed report or statement annually from the corporations.

Q. I understand that a committee on uniformity of company law has been formed with representatives from the various provinces, are you a representative of that committee? A. No, I am not.

Q. Has any one attended the meetings of that committee on behalf of this province? A. The Honourable Mr. Premier has always attended those meetings.

Q. I understand he did actually attend those conferences?

A. Yes.

Q. Would it be feasible to have uniformity in returns being made by the various companies to the nine provinces and the Dominion? A. It might be feasible, but I do not think, so far as this province is concerned, it would be necessary.

Q. Have you any printed forms, statutory forms, upon which information required by the province must be furnished?

A. Merely insofar as taxation is concerned.

Q. Well, would it be feasible to have returns made for the purpose of taxation uniform? A. I hardly think so. I am not entirely familiar with the forms for taxation; the supervisor of taxation is in charge of that department.

Q. There is another provincial officer who has direct supervision of taxation? A. Yes.

Q. In connection with insurance, is there any audit or inspection of the insurance companies carrying on business in Prince Edward Island? A. No.

Q. No requirement under the statute that they should be audited or inspected? A. We accept the Dominion registration and audit.

Q. And are all the companies carrying on the business of insurance in Prince Edward Island inspected and licensed by the Dominion? A. All but three.

Q. In what particular way are those three companies dealt with by the province? A. They are licensed by the province and they have certain securities filed with the province which are audited yearly.

Q. In the case of the companies which are licensed by the Dominion, do you require a deposit from them also?

A. No, sir.

Q. The suggestion has been made--this is probably a question more for the Honourable Mr. Campbell than for you--that the field of jurisdiction in insurance should be Dominion with two exceptions. First, the law of insurance contracts, and secondly, the licensing of agents for the placing of insurance; with these two exceptions, the matter

should be under Dominion jurisdiction, would that suggestion meet with the views of Prince Edward Island?

A. I can only speak for my principal, and he says that there might be some difficulties in the matter of local insurance companies which do all their business within the province.

Q. It might be difficult for local insurance companies doing business only within the province? A. Yes.

Q. Does that apply to all branches of insurance, are the local companies in any other branch except fire insurance

A. No.

Q. There was just one question in connection with the unemployment relief, in the administration of direct relief, was the paupers' fund wiped out? A. It was absorbed.

Q. Your unemployment relief for the past few years includes those who would normally be looked after through the paupers' fund? A. With the exception of those who have been looked after by the old age pension scheme. Perhaps I did not make myself clear in the matter of the administration of relief. We feel that the system we have for relief is extremely economical. The majority of the cash grants made by the province to relief recipients, is three dollars per month, ranging from that to a very few cases in which the amount is ten dollars a month.

THE CHAIRMAN: Mr. Fielding, I would like to ask two or three questions concerning relief? The relief recipients in your cities and towns, you say they are principally in Charlottetown, from what source do they come? Are they unemployed for industrial reasons or what

is the cause of unemployment in a city like Charlottetown?

MR. FIELDING: I understand the city of Charlottetown claims its population has increased by 3,000 people due to the influx of people from the country as well as other provinces. These people have come into the city and have been unable to obtain employment, so we are forced to put them on the relief rolls.

THE CHAIRMAN: One is rather surprised that they should come from the other provinces if your relief scale is lower than that of the other provinces.

MR. FIELDING: Possibly some of them are islanders returning home with the impression that this is a fairly prosperous part of the country. This seems to be a prevalent impression throughout the Dominion and the eastern states.

THE CHAIRMAN: Then, is it a fair conclusion from the information which you have concerning unemployment in Charlottetown, that this unemployment is due almost entirely to people coming in to Charlottetown?

MR. FIELDING: I think in a great majority of cases, yes. If I might be permitted to cite an example: A young chap who was born in Prince Edward Island went to Saskatchewan about 1920. He returned here last August from Saskatchewan and advised me that his ticket was provided by the government of the province of Saskatchewan. He returned to the farm where he was born, but this farm had not been properly handled for a number of years due to the fact that his father was an old man. There was no crop of any account and this young man came to ask me if I knew of any way by which he could be helped back to Saskatchewan. The people in Saskatchewan had painted a very rosy picture of conditions here and the young man was

very much disappointed when he arrived here.

THE CHAIRMAN: Did you give him a ticket back to Saskatchewan?

MR. FIELDING: No, we could not afford to do that; we gave him three dollars a month for his wife and child to live upon.

THE CHAIRMAN: They are living on that?

MR. FIELDING: Existing, would be a better term, I think.

THE CHAIRMAN: Considering the situation of those people who moved in from the country, are they people who have left farms or are they farm labourers, to what class do they belong?

MR. FIELDING: They are mostly farm labourers and poor farmers.

THE CHAIRMAN: Is there anything being done to rehabilitate these poor farmers? If you have a farmer moving into the city, should you not try to get him back to his farm? Perhaps that is a matter for the deputy minister of agriculture.

MR. FIELDING: Well, sir, I think it is safe to say that the government recognizes the great need but it has no funds with which to proceed with such a project.

THE CHAIRMAN: Are there persons on relief here, in Charlottetown, who own farms, which they have vacated?

MR. FIELDING: I think so, but I have no figures concerning the matter. I do not know whether the municipalities have compiled any statistics touching upon this matter.

THE CHAIRMAN: Of course, you have only been in office two and one-half years, so you cannot speak of things be-

fore that time.

MR. FIELDING: No, sir.

THE CHAIRMAN: In the matter of insurance, what is the difficulty in the way of having a Dominion inspection of the local insurance companies? If the Dominion inspects the other companies, requires a deposit and examines as to solvency, what difficulty would there be in including the local companies in that class?

MR. FIELDING: I do not mean in the matter of inspection, I mean in the matter of law contracts.

THE CHAIRMAN: Well, the proposal made to the Commission is not that law contracts should be interfered with, the proposal was that law contracts and the licensing of agents should be retained by the provinces, but that the entire jurisdiction of other matters concerning insurance should come under the Dominion. Mr. Macdonald of Nova Scotia, said that such a proposal would be entirely satisfactory so far as Nova Scotia was concerned.

MR. FIELDING: I think, so far as we are concerned, too. I did not understand the question.

(Page 4600 follows)

MR. O.W. CAMPBELL, Superintendent of Old Age Pensions,
was called.

BY MR. STEWART:

Q. Mr. Campbell, you have been superintendent of Old Age Pensions for a considerable time? A. Yes sir.

Q. Would you indicate the manner in which this work has been administered? A. The Act has been administered under an Old Age Pensions Commission composed of three members. In addition to the Commission there are a superintendent of Old Age Pensions, an assistant superintendent of Old Age Pensions and one stenographer. The assistant superintendent and the superintendent act in a dual capacity also as investigators. They investigate each application as it comes in. Then they make a report regarding the assets and the liabilities of the applicant and it is carried from there to the Commission who pass on it finally and fix the amount from this report.

Q. Is any consideration given to the ability of children or relatives to support parents? A. Yes sir, there is a Parents' Maintenance Act in effect in this province and if in any case a child is able to support the parent then they refuse pension on that ground.

Q. What part does the Dominion Government take in the administration, that is, as distinguished from the payment of the amount of the pensions? A. There is no overlapping of service at all. This is a new department in this province and the only overlapping would be in the audit. An auditor comes down from the Department of Finance and also from the auditor-general's department to check on our auditors here.

Q. What do your administration costs amount to in percentage? A. 3%, sir, approximately.

Q. Do you think the Dominion could administer the funds more cheaply or more efficiently than is being done?

A. No sir, it would be approximately on the same basis, if the Dominion took us over. As far as our set-up is concerned, I think the set-up is ideal but our pensioners would receive treatment then in accordance with the rest of the Dominion of Canada because we would go on the \$20 basis which we are not on now.

Q. The amounts to be paid to the various applicants depend principally on the resources they have? A. On the investigator's report which sets forth their assets and liabilities and what they have. I might say in that connection, sir, that in the towns, villages and in our cities, the amount is inclined to be more generous with an applicant from any of those centres than they are from one in the country.

Q. Taking into account the cash cost of living? A. Taking into account the cash cost of living and the fact that in the towns and cities, milk, butter, eggs, vegetables and those things are not so readily available and are more expensive.

MR. STEWART: That is all I have to ask.

THE CHAIRMAN: One question, and perhaps it is more directed to Mr. Campbell than to you, which occurs to me is this, arising out of your answer to Mr. Stewart that if the Dominion took it over the pensioners would receive the same amount in this province as in other provinces: If the basis is to be fiscal need, should not the Dominion determine and fix the scale of pensions on the relative cost of living in the different provinces, and fix the pensions accordingly?

HON. MR. CAMPBELL: I think, my Lord, that probably some distinction should be made on that score. The scale, for instance, in a large city would probably be higher than in a rural district, but I think the scale as between

provinces should be more or less the same.

THE CHAIRMAN: Why the scale on Old Age Pensions if the scale on subsidies is not the same? You say the scale on subsidies should be on the basis of fiscal need. Why should not the scale on old age pensions be on the basis of fiscal need of these recipients?

HON. MR. CAMPBELL: Of course that would be a matter for consideration but I think it would be found that the cost of living in Charlottetown is approximately the same as in any Canadian city, probably higher than in a good many cities.

THE CHAIRMAN: Why? It has been said here and it may be there are statistics to show it, but I would be very surprised if it worked out to be a fact. I do not know. I should think you have everything here so far as food supplies are concerned, and you do not have to carry your manufactured goods, your clothing, you have not got to transport them as great a distance as Edmonton, for example. I do not see why they should be more expensive here than in Edmonton. I should think your merchants would not make a greater profit on their goods than the Edmonton merchants at least would try to get.

HON. MR. CAMPBELL: I quite admit that probably there should be a distinction on the basis of the cost of living but I do not think that the present distinction is an apt one, namely, that Prince Edward Island is out of step with the whole of the Dominion.

THE CHAIRMAN: That is under the existing regulations because you do not feel equal to marching in the same line as some of the other provinces.

HON. MR. CAMPBELL: Exactly.

THE CHAIRMAN: That is not discrimination on the part of the Dominion, it is voluntary discrimination on your

part because you do not feel that your finances justify you in marching along with the other provinces.

HON. MR. CAMPBELL: That is just exactly it, but at the same time we are compelled to pay our contribution to the pensions of the other provinces.

COMMISSIONER ANGUS: By the Dominion taking over the service do you contemplate the Dominion paying the money direct to the recipient or paying it to the province, which would then administer it?

MR. O.W. CAMPBELL: Paying to the province which would administer it, I would assume.

COMMISSIONER DAFOE: With the Dominion fixing the rate in each individual case?

MR. CAMPBELL: The Dominion set-up as it now exists would be employees of the Dominion, consequently it would be the Dominion that would be fixing the rate, I think.

COMMISSIONER DAFOE: The province would be willing, you think, to continue to administer it with those terms, where they had nothing to do with fixing the rate? It is a detail anyway; it is not very serious.

THE CHAIRMAN: It is rather difficult, is it not, to apply a general principle when one government supplies the funds and the other is wholly responsible for administration.

HON. MR. CAMPBELL: It is difficult.

THE CHAIRMAN: That is all, thank you.

MR. W.R. SHAW, Deputy Minister of Agriculture, was called.

BY MR. STEWART:

Q. Mr. Shaw, you are the Deputy Minister of Agriculture for Prince Edward Island? A. Yes.

Q. Would you indicate whether there is in your opinion any overlapping as between your department and the Dominion Department of Agriculture?

A. No sir, I do not think there is.

Q. What would you say as to the cooperation between your department and that of the Dominion? A. We have always had a very splendid cooperation between the two departments operating in this province. The very nature of the province, its size, lends itself to the officials getting together on very short notice and very often, and we work out our agricultural policies here in cooperation with each other and through conference, laying out our work, and then proceeding along from time to time according as we decide what each department is to do.

Q. What line do you draw as between the jurisdictions of the two departments or the activities of the two departments?

A. The provincial department is concerned chiefly with matters pertaining to production. We follow that field, and of course to a certain extent with invetigational and survey work. While the Dominion Department is set up primarily to conduct definite policies of grading, I suppose, connected to an extent with the marketing Act. And we try to confine ourselves as much as possible to these respective fields. But at the same time on account of the deficiency of officials in the field of the provincial, we rather encourage the Dominion officials to undertake certain of the productive enterprises as well, outside of their particular definite field or policy.

Q. In the field of agricultural education what service is being carried on? A. There is, of course, a fairly broad field there, and the educational policy, as I say, of production is carried on through our provincial department. That education may come through short course work in agriculture, meetings throughout the country, organization of farmers' institutes, women's institutes; and during

the past year or two we have concerned ourselves to a very great extent with the establishment of adult study clubs and the teaching or direction of agricultural study through these clubs.

Q. What facilities are there for the short courses in agriculture that you carry on? Where are they carried on?

A. Usually at the Prince of Wales College. At the present time we are carrying on quite a large agricultural course through the Dominion-Provincial Youth Training policy.

And then from time to time we establish perhaps three or four day courses, short courses, at different parts in the province, taking the education out to the people.

Because in a great many cases these people are not in a financial position to come into the centres to get that.

We try and take the education as much as possible to them.

Q. The Youth Training activity, which is Dominion-Provincial, as I understand it, so far as the provincial interest is concerned, is that under your department?

A. It is under our department, sir, yes.

Q. What is covered in that activity? A. Agriculture is the chief course that we are conducting. That is, we would handle more pupils through that particular course than any other. We have a course designed for fishermen; it is an extension course which deals specifically or completely with the fishing districts, boys in the fishing district. And then we have a carpentry course or a number of carpentry courses, at least, it is intended to hold four or five of these, we cannot accommodate a very large number in each one. We had a forestry course conducted at the new Acadia Forestry station at Fredericton, N.B. and we are sending forty students to take a leadership course at St. Francis Xavier University at Antigonish, N.S.

Q. Is that a summer course? A. No, it is a four weeks course in special leadership that is commencing during

the next week. And then in connection with girls work we hold a number of short courses extending from five to nine days at different points in the province. Those courses were devised in a great many instances to give a training on public health, that is, on practical nursing, and in addition to that such practical subjects as the use of wool in the home, kindred subjects on handicraft. And then in the centre of Charlottetown where we have facilities in the Prince of Wales College in the way of a kitchen and equipment, we are holding three of these courses at which fifty young women can be accommodated. At each course practically the same work is being carried on only in larger degree because the courses are longer, they are three weeks in length.

Q. The administration of this youth training activity is under the provincial department? A. Yes, provincial administration. Of course it is a joint policy between the Department of Labour and our provincial government.

Q. And the expense is defrayed on a fifty-fifty basis as between the province and the Dominion? A. Yes. The administration is a provincial matter but the transportation and board and a certain amount of the equipment is on a fifty-fifty basis. I might say that the Department of Labour have a representative in the province who collaborates with our provincial department in deciding as to the eligibility of students.

Q. Does the Dominion conduct an experimental farm in Prince Edward Island? A. Yes.

Q. One experimental farm? A. Yes.

Q. Where is that located? A. Charlottetown, - no, pardon me, there are two experimental farm stations really. We have a fox experimental station at Summerside but the experimental farm, that is insofar as the agricultural

aspects of the matter are concerned, is at Charlottetown.

THE CHAIRMAN: Did you say that was conducted by the Province or the Dominion?

MR. SHAW: That is the Dominion, sir.

MR. STEWART: Q. These are both dominion, are they?

A. They are both Dominion.

Q. Do they carry on any work in connection with livestock at the experimental station? A. Yes, in cattle and poultry particularly. They emphasize the production of poultry perhaps more than anything else, and of course they have their horses and they have an advance registry there for swine. That is under the swine division at Ottawa.

Q. And that is conducted entirely by the federal department? A. Yes.

Q. And the results of that work are available to the provincial department? A. The results of that work are available to the provincial department and to the people of the province through the reports and of course the contacts with the experimental farm and its officials.

Q. It has been suggested in Nova Scotia that the subject of marketing should be placed under the exclusive jurisdiction of the Dominion, subject to certain limitations. What would your view be as to that?

A. The question of marketing, of course, is a very broad and complicated question, but I think in general the jurisdiction should be under the federal with, of course, these limitations that you speak of. There is a great necessity, as I see it, for marketing organization within the provinces. There is perhaps a good deal of unfortunate price-cutting on agricultural products and, of course, the man who suffers as a result of that is the producer. I might illustrate by a situation we have here in this province in our creameries

and cheese factories. We have approximately twenty-five of these so-called cooperative organizations and each one has its own marketing agent, usually the maker. Now, there is some price cutting on that because here is a maker that possibly has a product that is not quite as high in quality as some other concern and he quotes that product, the butter, at a cent a pound less than his competitors and he makes the sale and immediately you collapse your market to that level.

Q. Would proper grading exert an influence on that situation? A. It would have some control on it. I think there should be some centralized control so that that material is spread on the market as the market demands it and according to grade. But if you leave it to each individual group you are going to be continually up against the matter of price cutting. Now, that same thing, I think, obtains in some of our other fields of marketing. Just yesterday I was called out of this room, a long distance message came through from the neighboring province of Nova Scotia in connection with the potato market there; and the complaint was made by an official of the Nova Scotia

government that someone from the province here had quoted potatoes on the Halifax market at ten cents a bag less than the prevailing price. I could hardly understand that in view of the almost irreducible minimum price which potatoes are ranging at, at the present time. But nevertheless these are cases which we know of in agricultural products. And if some organization could be effected that would perhaps regulate or control that question of price cutting to a certain extent and feed out on to the markets the products which we are raising in an orderly fashion,

I believe that that in itself would have a very great effect upon the revenues which are derived from our agricultural

products.

Q. And do I understand it is your view that the Dominion Government could control and regulate that better than the provincial government? A. I think so, because the Dominion Government today is concerned principally with marketing problems, grading and quality, and it looks to me, in the export sense at least, that the Dominion would be in a much better position to take care of the marketing of these products. I referred to the price cutting question between groups within the province. You also have the question of price cutting between provinces and that might be eliminated to a very great extent by some central control covering the whole country.

MR. STEWART: I have nothing more to ask.

THE CHAIRMAN: Just two or three questions, Mr. Shaw. On this marketing question, did I understand you to suggest that in connection, say, with cheese marketing, you thought it would be better to have provincial control rather than Dominion?

MR. SHAW: No, I referred more to provincial organization.

THE CHAIRMAN: Oh yes.

MR. SHAW: To centralize it through some centralized agency within the province, but still I think there should be above that a supervisory board that would have control principally with the idea of catering to the export trade.

THE CHAIRMAN: Are you familiar with the provisions of the Dominion Marketing Act which was declared ultra vires?

MR. SHAW: In a general way. We had some experience with that Act here in the province.

THE CHAIRMAN: Did you bring it into operation in the province?

MR. SHAW: That was brought into operation here, yes.

THE CHAIRMAN: Would something like that fill the bill? I do not mean the exact terms, but something along those lines?

MR. SHAW: Yes, I think some act along similar lines would fill the bill. I think that really had some very excellent features in it, especially with regard to its regulatory provisions.

THE CHAIRMAN: Then another thing, about the experimental stations, how is the value of these Dominion experimental stations made known to the farmers?

MR. SHAW: Through their annual reports, that is one medium. Then, we might illustrate by the very youth training course that we are conducting at the present time.

THE CHAIRMAN: But that is exceptional under present conditions. I am speaking of under general normal conditions.

MR. SHAW: Yes. Under general normal conditions the officers of the experimental farm here collaborate or co-operate with the provincial department in the holding of meetings and demonstrations throughout the country. They carry the results of their experiments to the people in that way. Then again, they arrange for demonstrations at the experimental station at which the people congregate and they show them on the ground the work they are doing there.

THE CHAIRMAN: Is there any reason why the province could not carry on that experimental station just as well as the Dominion?

MR. SHAW: I think the cost of the thing to the province would be the principal objection to it. Under our particular department as at present constituted we have not quite sufficient staff to carry on the work.

THE CHAIRMAN: There is no difficulty except the question of cost, so far as you see it?

MR. SHAW: Well, that is a definite experimental work,

you see, that requires a particular set-up, and I think that set-up should be uniform throughout the whole country.

THE CHAIRMAN: In one of the other provinces the province carries on this experimental work, they have the college and experimental station.

MR. SHAW: Yes. I do not think that would be advisable here. As a matter of fact I cannot see a scheme or system of things that would work out to better advantage in the conduct of the agricultural work in this province than the one we have now in operation. Each has a particular field, The only difficulty we have is that our staff is not adequate to take care of the requirements of the people.

THE CHAIRMAN: Everybody wants more money and everybody wants to pay less taxes.

MR. SHAW: It is not so much more money as it is the necessity of getting out to that man who is distressed and is practically down and out and making contact with him in the field and following him up, starting him perhaps with a few poultry or a sow or something like that and then going on from that step by step and re-habilitating him. I think that is very necessary.

THE CHAIRMAN: Yes, I am coming to that in a minute. You say you have a fox experimental station. I thought the farmers of this province were the experts themselves in fox farming?

MR. SHAW: There are a great many problems there. I think there was a time they thought they were experts, when the prices were up at a very high figure, but now we are facing a different situation altogether. We have a lot of competition in the world in this fox game and this year the prices of our pelts are down to a low level and the prices of our feed are extremely high and a great many of the fox ranchers are faced with the necessity of getting out of the

game altogether. We are coming to the point where we need a very great measure of experimental and investigational work not only in the breeding problems but also in connection with our nutritional problems.

THE CHAIRMAN: Reduce the cost of putting the product on the market.

MR. SHAW: Exactly.

THE CHAIRMAN: When you speak of rehabilitation, are there many deserted farms in this province?

MR. SHAW: We have not a complete survey on that but there are, yes. We have perhaps five or six hundred farms today that are offered for sale and a goodly number of these are deserted farms.

THE CHAIRMAN: I could understand some farms being deserted where the soil is so sandy that they cannot be profitably farmed. There are a few like that, are there?

MR. SHAW: Yes.

THE CHAIRMAN: But take farms that can be profitably farmed, are there many of those?

MR. SHAW: I think we have a very large number today that can be profitably farmed if the farmer had the necessary equipment, you see, but there is our difficulty. We have so many farmers today that through necessity have been reduced to one horse, some of them have not one, as a matter of fact. Then, their farm equipment has been reduced until it is almost useless. Now, there are hundreds of these farmers, I think.

THE CHAIRMAN: What are you doing for those particular farmers?

MR. SHAW: It is a very difficult problem to do anything with them under our present circumstances. We have been trying to get these people that are in that unfortunate situation started out on some line of production which costs

them very little to start, such as the poultry for instance, and then we were giving assistance in some cases in establishing perhaps a sow on the farm. But take a year such as we have just gone through, last spring things looked exceedingly bright, the wheels of industry were turning a little more briskly, and farmers in a great many cases who, through necessity, were prevented from improving their place, making repairs, buying machinery, started this year to repair and buy. Then, all through the season we had a drought period perhaps unprecedented in this province. The ultimate result was that a great many of these farmers didn't reap as much grain from their farms as they sowed in the spring. Following that on a bit further, they were compelled to sell off, I suppose, in a stretch of country in the western end of this province, practically from twenty to thirty per cent of their livestock. A great many of the cattle went into fox ranches or sold to buyers at the buyers' price, usually. Those people are completely crippled and we are having frequent inquiries in our department today for feed to carry the remainder of this stock over. In addition to getting feed to carry that stock over they are faced in a month or two with the necessity of supplying themselves with grain, with seed oats and small seeds, for next year's crop. Then many of them have these extra responsibilities or liabilities which I have intimated they took upon themselves in the way of extra equipment during the early months of the year. It is a tremendous problem there. I do not know what we are going to do with those people.

THE CHAIRMAN: The creditors will have to be patient so far as the extra equipment is concerned. You will have to help them out with the seed grain.

COMMISSIONER DAFOE: This sounds a little like Saskatchewan.

MR. SHAW: Well, I think in a great many of these cases, the distress is equal to the distress in Saskatchewan.

THE CHAIRMAN: Of course, there are so many conditions there, which have lasted for seven years. The marvel is they have the courage to remain.

MR. SHAW: That is right, Although there has been a gradual decrease in farm equipment, and in the economic status of these men, this year, I think, the final touches have been added in a great many of these cases, particularly in the western end of the province, where distress is fairly acute at the present time.

THE CHAIRMAN: How have the prices of farm products been during this depressed period in this province?

MR. SHAW: Well, the prices of dairy products have been down at a fairly low level. This year, of course, the prices are up to a very favourable level, but the unfortunate part of it is that a great many of the farmers, having disposed of their stock, being short of feed, are not in a position to avail themselves of the improved conditions.

Then with regard to potatoes, it is a fairly costly crop to raise, and the prices have not been high for the last few years. This year has been a particularly depressing year in that respect. The prices were fairly good last year, but previous to that again they were not at a level which gave very much profit.

THE CHAIRMAN: Have they been substantially lower than

in previous periods in your history?

MR. SHAW: Well, when we started in the potato production on a seed basis at first there were some very favourable years. But there is more competition all the time in this particular field, and the last few years there has been very little profit in potatoes. As a matter of fact, it has been a losing proposition for a great many.

Hog prices are fairly good, but there again arises the question of feed, and possibly I might say a word just on that point. Prince Edward Island is an importing province in so far as our food requirements are concerned. In a normal year we raise quite a large quantity of oats, and to some extent, barley but engaged as we are in dairying, poultry raising, and hog raising, it is necessary that we have adequate supplies of concentrates of feed stuffs from outside the province. Now then, the province has, by rearranging its productive processes, particularly with hogs, we have increased our hog population, and have endeavoured to contribute to the national policy in connection with our export of bacon to the Old Country. We are glad to say that in the Maritimes at the present time approximately 200 hogs a week are being processed for the Old Country trade, and these principally come from Prince Edward Island, because the other two provinces really have not enough hogs raised for their own need.

When we come to the requirements for feeding these hogs, we are up against rather a difficult problem, - the price. Take corn, for instance, that is a product that enters very largely into our hog production. If at all possible, we would like to see some change made in the tariff on corn.

THE CHAIRMAN: Of course, we are not the tariff board.

MR. SHAW: I realize that, but I am pointing this out as a disability under which we are labouring as a provincial Department of Agriculture in getting across our productive policy.

THE CHAIRMAN: You use other grain besides corn for hog feeding, do you not?

MR. SHAW: Barley, principally.

THE CHAIRMAN: Do they grow barley in Nova Scotia and New Brunswick?

MR. SHAW: They have to import it in Nova Scotia and New Brunswick, They do not grow enough for their own requirements. We are not growing enough, as a matter of fact, for our own requirements here.

THE CHAIRMAN: There is no reason so far as the productivity of the soil is concerned why these Maritime provinces should not grow all the barley you require.

MR. SHAW: No. We have increased our acreage on barley. That was one of the policies we conducted in conjunction with the improvement of our swine population. But we are also an exporting province, - we have to feed the Nova Scotians. A great many of our farmers raise oats and ship their oats there.

THE CHAIRMAN: If you get more by shipping your oats than you have to pay for importing your barley, I suppose you will profit on the exchange?

MR. SHAW: Well, it is not in the case of the hog man, it is the other fellow who raises barley and who is not engaged in raising hogs, who profits. It would be fine if it was the fellow who raises hogs. In a year like this, we feel ^{the} it is high price of feed, with our own shortage, which is creating a very acute situation. If there is any way in which we could get a reduction in the price of western barley or corn it would not only release

a large amount of oats to take care of our local seed situation, but it would also give the hog raiser the facilities with which he could compete in the hog market.

THE CHAIRMAN: Just one other question, Mr. Shaw. You spoke of local handicrafts, - treatment of wool. To what extent are you teaching the young people local handicrafts?

MR. SHAW: Well, the handicraft work is conducted principally through the Women's Institute organization, and also through some of the private organizations. For instance, the nuns, as a usual thing, conduct that work, with small looms, the making of rugs and weaving and that kind of thing. It is quite a sizeable industry in certain sections. But there is a possibility of considerable expansion in that too.

THE CHAIRMAN: There is no doubt a great deal of domestic requirements could be provided in that way.

MR. SHAW: Yes, particularly in wools; in knitting and weaving, and that kind of thing. And that is what we are attempting to emphasize in those courses, because wools have been at a very low price on the market and a few yards of wool can be bought very cheaply. If these poorer families are trained in the preparation and making of garments it will help them out quite substantially.

COMMISSIONER DAFOE: Has the hand loom disappeared from this province?

MR. SHAW: Practically so. In some of our Acadian districts there ^{are} some looms in operation. They are getting in a smaller type of loom on which they can turn out runners for tables and small articles, which are saleable.

COMMISSIONER DAFOE: Where ^{do} you get your barley, - Ontario?

MR. SHAW: Our barley comes principally from the west.

THE CHAIRMAN: You spoke of the cooperatives in the cheese factories. Has the cooperative movement existed in this province beyond the cheese factories?

MR. SHAW: Our egg and poultry producers have their cooperative, a very successful organization which has been going on for a number of years. Then there is a cooperative potato growers association, and our livestock marketing board is cooperative. I think that would cover our cooperatives.

THE CHAIRMAN: You are developing that idea, I see.

MR. SHAW: We are developing the idea of organization in marketing.

THE CHAIRMAN: Thank you, Mr. Shaw.

HON. MR. CAMPBELL: Your Lordship, I understand the Hon. Mr. LePage, as administrator of the fishermen's relief assistance has a few remarks which he would like to make.

THE CHAIRMAN: We would be very glad to hear Mr. LePage.

HON. MR. LePAGE: Your Lordship, and gentlemen of the Commission, I would like to very briefly give a few facts with reference to the fisheries. As I am chairman of the board distributing the loans to the fishermen, which are provided by the Dominion and provincial governments, I come in very close touch with the fishermen, and I know their difficulties, and their needs, probably more than some others. When you consider that in this province we have really only two industries, - fishing and agriculture, - we have no mines, we have no forests, and very little manufacturing. Therefore, we must depend on the fishing industry and agriculture for occupation for our present population and the natural increase, which is considerable.

So far as the fishing industry is concerned, we notice from the statistics supplied by the department at

Ottawa that the total value of the fisheries in this province have decreased from \$1,700,000 in 1920 to \$946,000 at the present time, or practically about one-half. Notwithstanding that, we have a great many more fishermen employed in the fishing industry at the present time.

THE CHAIRMAN: Is that due to the drop in value of fish, or due to the reduced catch?

HON. MR. LoPAGE: It is partly reduced catch and partly a lower value. In this province, according to the statistics from the department, - from our local agent here, - there are 3,500 men, and with their families - many of them with five, and some ten or twelve, there are at least 17,000, or one fifth of our population depending solely on the fishing industry, or practically solely on the fishing industry. When you consider that, and consider the value of the catch last year, we find that the average was \$273. per fisherman, which would be per family. When you realize that situation, you can realize that there is a great need of assistance to the fishermen.

Of course, the Dominion government, in cooperation with this province, have extended loans to the fishermen during the last two years to the amount of approximately \$100,000. This province has spent out of our own meagre revenues the amount of about \$50,000. And this has helped in a great way to assist the fisherman to establish themselves.

We have not received the statistics for last year, but had fishing last year been normal I think there would have been a considerable improvement. But when you consider that amount of money per family you will realize that there are many families which are just existing. When we talk about 3,500 men being occupied, I do not think that there

are more than one half of them occupied in fishing for the full season. I think that at least 1,000 of them should be entered on the unemployment list, because they are not working at fishing, or any other occupation, more than two months per year, and therefore, they are really unemployed.

THE CHAIRMAN: Is not your fishing season very much more than two months, Mr. LePage?

HON. MR. LePAGE: It is, but there are a great many of our fishermen who are only engaged in lobster fishing. It is the most profitable fishing industry we have, and after that they look to the government to give them employment on roads, and so on.

THE CHAIRMAN: Should they not engage in other kinds of fishing when the lobster season is over?

HON. MR. LePAGE: Yes. I was just leading up to that. The reason that they are not engaged in other fishing is simply because I do not think one half of the fishermen have boats. There are a great many of them who get employment with other fishermen during the lobster season, and after the lobster season the other fishermen are not able to give them employment.

Of course, the administration of fisheries comes under the Dominion government, with the exception of what we have been doing during the last two years in contributing to the loans to the fishermen. Of course, if this grant from Ottawa is continued - and we would like to have it continued on a larger responsibility from the Dominion government, because in this province we are not able to take up or do our share. However, we are endeavouring to assist because we realize that there will be a great many more unemployed very soon unless we try to establish the fishermen. We are supplying the fishermen with boats and

nets. Of course, we have not a lot of money, but we are gradually leading up to that, and if the Dominion government continues the grants there is no question that a great many of the present fishermen could be established, and a great many of the youth of the country could be established to enter the fishing industry.

THE CHAIRMAN: Under which department are the estimates submitted for this grant to the fishermen, - the Department of Fisheries?

HON. MR. LoPAGE: The Department of Fisheries.

(Page 4623 follows)

THE CHAIRMAN: Is it not a question which you should take up with Mr. Michaud or with the Minister of Finance?

MR. LePAGE: The government has taken up this matter with Mr. Michaud, and it is my belief that he understands the situation very well. Our fishermen find themselves in serious circumstances and are in great need of relief; they must be given assistance. It is just as Mr. Shaw has stated the position of the farmer to be; it is necessary that the government give both the farmer and fisherman of this province assistance or else we must continue to have a great many unemployed in this province. One of the chief difficulties is the fact that the Department of Fisheries is so far away from this province. We are attempting to impress upon the department that there is a need for greater assistance in the matter of furnishing one or two field-men who would organize the fishermen. These men would be able to assist the fishermen in processing. There are a number of different methods for processing and there is very little government work being done by the department at Ottawa along these lines. If they had one or two field-men who would spend their full time in this province, it would be a means for the better dissemination of information among the fishermen. These men could cooperate with the fishermen and assist them in the processing of their catch. Men of this type would be of great assistance to the fishing industry in this province because they would be able to spend their full time with the men engaged in the industry.

Of course, there are other matters to which attention

should be given. There is the question of bait which should receive some consideration; a fisherman cannot fish without bait. There is a crying need in this province for bait freezers. The Dominion government has been doing something along this line, but the great trouble is that;owing to the short catches which the fishermen have been making, they are not able to make an expenditure of this kind. Many years ago the merchants were able to advance the fishermen enough for them to get along on, but the merchants are not doing this any more.

THE CHAIRMAN: Why are they not doing it now?

MR. LePAGE: Simply because it has not been a profitable practice. The average fisherman has only been earning \$273.00 during the past few seasons. On this basis there is not much opportunity for a merchant to advance enough money to keep the fishermen through the winter. There has been an attempt made to give the fishermen assistance through the Fishermen's Loan Board. There are a great many of the men engaged in this industry who are just existing. It was not intended that these loans from the board should be used for the purchase of food. However, the board did give permission to assist these people by providing them with food. Now, those are the conditions upon which I think a vast improvement might be made.

THE CHAIRMAN: I think you will recognize, Mr. LePage, that this is not a question of interprovincial relations. It is a question of the Dominion government making a grant or continuing a particular grant. It is a matter which, it appears to me, you should take up with the federal department at Ottawa.

MR. LePAGE: When the federal department makes a grant, it makes it in this way, the province has to pay at least one-third of the amount, and if the province can not pay, then nothing is paid.

THE CHAIRMAN: Can you not convince the department that such a system is wrong?

MR. LePAGE: It all comes back to the question of fiscal need, we need more revenue. Whatever aid is give to the fishermen and farmers of this province must be given by the Dominion government.

COMMISSIONER ANGUS: Is the number of fishermen regulated by any system of licensing, is the number restricted in any way?

MR. LePAGE: There are a great many licenses for lobster fishermen and smelt fishermen.

COMMISSIONER ANGUS: Does this restrict the number that may enter this occupation?

MR. LePAGE: There is no restriction of that nature. They are prevented, of course, from fishing two seasons. We have two seasons for lobster fishing. In the spring the season is on the north side of the island and in the fall it is on the south side; fishermen are not permitted to fish both seasons.

COMMISSIONER ANGUS: Do you think the price which is being obtained for fish would justify a greater number being engaged in this industry?

MR. LePAGE: Yes, I think so. The Dominion government has taken up the question of marketing and the markets are improving. It is my understanding that prices this year will be somewhat higher.

COMMISSIONER MacKAY: What type of fishing is carried on besides lobster fishing, is it fishing for the pickled

fish industry?

MR. LePAGE: Yes, it is fishing for the pickled fish industry.

COMMISSIONER MacKAY: Is there any fishing done for the fresh fish markets?

MR. LePAGE: Very little, except the lobster fishing.

COMMISSIONER MacKAY: There is no fishing for the fresh fish market except that done for the local markets?

MR. LePAGE: Practically none.

HON. MR. CAMPBELL: I believe that this completes the submission on behalf of the government. Under ordinary circumstances it would be quite complete, but I believe this government is in a situation which demands a further presentation. At the present time, I believe our legislature is the only uni-lateral legislature in existence.

It is composed of a single party, there being thrity members on one side, as it were, of the legislature.

There is no opposition. The government has endeavoured to prepare a Brief without going into any controversial political matters and has endeavoured to make it as representative of general public opinion as possible. There is always the danger that a government of this nature might miss some points in its representations. During the course of these hearings we have had the moral support of the ex-Premier of this province, Dr. MacMillan. Dr. Macmillan has had a considerable experience in the public life of the province and for some years was the premier. With the permission of the members of the Commission, I would like to ask leave to have the Honourable Dr. MacMillan address the Commission briefly.

DR. W.J.P. MacMILLAN : My Lord and members of the Royal Commission, this is somewhat unexpected on my part. I thank the Premier for his courtesy in asking me to say a few words. Of course, it puts me in a rather anomalous position. If he does not obtain all he expects to get out of this I will be supposed to criticize him for not presenting this case properly. And if he does get them all, I will have to give him credit. I have sat here during most of the sittings of the Commission, as much as I could I have admired the attitude of the Commission. They evidently want to get at every point in this matter which to my mind is so important. It is a very important Commission and they have a great deal of work to do. They have to listen to the provinces and the cities and the boards of trade and social agencies and to everything; and if you get through your trip throughout Canada without indigestion I will marvel at you.

We are in a unique position in this province, you know. There is no opposition and the Premier, as he always says, speaks for both the Government and the opposition, and he may be right.

THE CHAIRMAN: Then you are leader of the opposition outside of the House?

DR. MacMILLAN: I am the leader of the non-existent opposition. We claim - I suppose I had better say "we" - that we are the only province that is right in the World, the only place that is right, because we have prohibition. So we have prohibition and no opposition. Probably we are right in both particulars.

THE CHAIRMAN: You have an unusual number of blessings.

DR. MacMILLAN: I believe I will confine any remarks that I may make to that clause in this case of Prince Edward Island dwelling on the chances that we took in going into Confederation. I believe if we had stayed out and become a

smuggling base we would have been better off. At least I believe that is the idea of one of the members of the Commission.

I do not think that I should comment upon the presentation of the case, but I will make a few observations. There is a general attitude throughout this country, and probably this book here, this year book, is one of the documents that lends a good deal of authority to that impression, that Prince Edward Island is well off, that we are rich. You can go through that book and you can quote statistics that we are the richest province per capita, in agriculture and in every way, but when you come down here and get among the people and talk with our people you will find it is a different story.

The Hon. Mr. LePage gave the amount that fishermen in this province make out of fisheries in a year. I remember one time when I had a dispute with the federal government and it was just over information that was in that year book, and they claimed that that year book showed that every man engaged in fishing in Prince Edward Island made \$700 a year, and that was two or three years ago when they were not making as much as they are making now. And the result of the disagreement was that a federal representative was sent to this province at my instigation to investigate the conditions in the fisheries. Fortunately he was a rather clever man. He came from the great province of Ontario. He had ten years experience in the Ontario Legislature; and he came down here and went through our fishing centres and he went back and reported to the Bennet Government which was then in power that what I had been saying about conditions among the fishermen was correct, notwithstanding the statements that are made in the Canada Year Book. So do not take the

Canada Year Book as gospel.

THE CHAIRMAN: Do not take it too seriously?

DR. MacMILLAN: No, exactly. But that impression is probably heralded throughout Canada that we are well off. We are not well off at all. You have listened to the conditions outlined among our farmers. Our farmers are not well off as a general rule and they cannot get back into a position where they can support themselves. That is the great problem. Those who have had any experience in the administration of government in this province know how difficult it is to get taxation in this province. Every source of revenue, as has been said, has been explored. We were the first province in Canada that was driven into the direct income tax field, over forty years ago. And we have endeavored to keep up our end. It is always said that we are always kicking. We kick about the treatment that we are supposed to receive from the federal Government in regard to claims. Now, there may be something in it, and our statement, the statement of our party, is contained probably in the brief that was presented before the Sir Thomas White Commission. You will probably find a great similarity between that brief and the one my friend, Mr. Campbell prepared. In fact, I think his brief is made up on ours.

THE CHAIRMAN: All that is good in his was taken from yours?

DR. MacMILLAN: But I ask the Commission if they are going into those matters in detail to compare the treatment that was given to the Province of Prince Edward Island with the treatment that was given to the other provinces in regard to claims, and you will find that the treatment that is accorded Prince Edward Island is very different to the treatment that was accorded to some of the other provinces.

Just to give you an instance, we are known as the landless province. We never had any Crown lands. Compare our condition, for instance, with the Province of New Brunswick which has five million acres of Crown lands, and they derive a great revenue from stumpage duty. We are worse off than if we had no Crown lands because we did not own the lands, they were then in possession of the landlords, and we had to buy them out and we lost money by that transaction. For instance Manitoba were not supposed to have lands. They were given a subsidy in lieu of lands. Afterwards they were given the lands and they were told to keep the subsidy. As the newer provinces came into Confederation, for instance Saskatchewan and Alberta, you will find the terms under which they came in were so much more favorable than the terms under which Prince Edward Island came in. For instance, take Prince Edward Island in relation to the railway debt. We had just built a railway, the debt was there. That debt was charged against us. When the provinces of Alberta and Saskatchewan came in, their railway debt was taken over by the Dominion of Canada. I am just pointing out those instances that in certain cases you will find that the treatment that was given to Prince Edward Island in different settlements is different to the treatment that was accorded the other provinces. It was not so generous; whether it was the idea that we were well off, that we didn't need help. During the time I was going to Ottawa for four years dealing with those unemployment and relief measures I was tired of listening to this story that was told to me by several parties, that we do not need help down here. There always seemed to be a tendency to minimize Prince Edward Island. There is a tendency now. For instance, my Lord, you try to travel from Toronto, leaving Friday night, and see when you can get to Prince Edward Island.

THE CHAIRMAN: I would make my plans to leave on another night.

DR. MacMILLAN: Exactly, but supposing in case of illness you were called home from Toronto on Friday night. How long does it take you to get to Prince Edward Island? And if you wanted to get to Souris you will spend nearly as much time getting from Toronto to Souris as under certain conditions you would spend getting from here to Edmonton, under normal conditions. Now, we do not like that kind of treatment. We do not blame the Government for it, but we blame the Canadian National Railways for it. We have no pullman here, only in part, a few months in the year, we have a direct pullman. I think it runs three times a week. They will tell you the thing does not pay and all that. But the attitude of the Canadian National Railways is to treat Prince Edward Island as a side-line. Once they get to Sackville they do not consider that Prince Edward Island is a province, it is a side-line and let them have whatever treatment is most economical. This gives a lot of cause for complaint and dissatisfaction in this province. It is true they have got a splendid car ferry but we have fought for years to get the rates, for instance, - I am just giving you an instance, - on automobiles reduced. They charged you \$4.00 to bring your car across nine miles and \$7.00 return, plus the railway fare on every passenger in your car. It was just keeping tourists and everyone else away from Prince Edward Island. We had to make that a special claim, going before the White Commission, first before the Cabinet of Canada, in order to get any satisfaction because the railway would not give us satisfaction. Our rate now is \$2.00 a car coming over and \$3.00 return, higher than it should be, but it is very much more favorable than it was. And as a result there were over 2000 more cars crossed to Prince Edward

Island last year than the year before.

There is just one other point I would like to mention. As you look at the case that is prepared by Prince Edward Island and look at the salaries that are paid our public officials in the province, and there was some discussion took place on it and I think a comparison was instituted between the salaries for instance in Prince Edward Island and in the province of Ontario, it is quite true that in a larger province we would expect the salaries to be greater, but I will take a specific instance: The Minister of Public Works is sitting back there. It is a full-time job in this province. He gets \$2000 a year. Go over to Nova Scotia and there the Minister of Public Works gets \$7000 a year.

THE CHAIRMAN: \$6000 I think it was.

DR. MacMILLAN: Well, we will take New Brunswick. He does not have to look after highways, either. We will take New Brunswick where it is \$6000. Do you suppose the Minister of Public Works in New Brunswick is worth three times as much as our Minister of Public Works?

THE CHAIRMAN: I would be very sorry if this Commission were called upon to pass an opinion on the value of cabinet ministers.

DR. MacMILLAN: No, but the point is that no matter what province a man is in he can only do a man's work.

THE CHAIRMAN: Quite.

DR. MacMILLAN: I know the Minister of Public Works in this province is probably the hardest-worked man in the province and he works night and day. His deputy appeared before you, a man who has been fifty-five years in the service of this province. His salary is \$2000. You say, "Why don't you superannuate him?" - Because we have not got money enough to superannuate. You must admit that our salaries

have been niggardly. It is all through our public service, niggardly salaries, frugal even to niggardliness, - those men who spend their lives in the service of this country. If the Minister of Public Works was in Ontario or in any of the other provinces he would have several deputies, he would have a big staff to assist him and a stenographer. His job in a larger province would be easier than his job here where he gets \$2000 a year. I am only giving that as an example of the whole run of civil service in this province.

THE CHAIRMAN: The salaries are undoubtedly very low.

DR. MacMILLAN: And they have been for years, fifty years. And then he depends upon the generosity or common sense of whatever Government is in power to say whether they can give that man \$400 or \$500 or \$600 as a retiring allowance. Those are some of the difficulties under which a small province works.

We have not got the sources of revenue. There are no big firms we can tax. We have no very rich men in this province. Look at our succession duties and our income tax and our land tax and our road tax and our dog tax - are the cats taxed? - Everything is taxed in this province, you see, Mr. Chairman; But I am just making a few general observations so that when you have to review the whole matter under discussion, do not look upon Prince Edward Island as a rich province because it is not. Thank you.

THE CHAIRMAN: Dr. MacMillan, we thank you for the statement you have made and it will be considered when we come to consider all that has been presented to us by the government. It is the first occasion on which we have had presented to us the views of both the government and the opposition. It is interesting and unique in that respect. We are very glad to have it.

This completes the work of the Commission here, and before we adjourn I desire, on behalf of my colleagues and myself, to thank the government of this province for the arrangements they made for the hearing, for all the courtesies and kindness we have received from them while here. We shall go away with very pleasant recollections of our visit.

In reference to the brief submitted you will, of course, realize that we must leave an open mind on these questions until we have heard all the submissions that are to be made to us, and in the light of all the submissions we must try to reach the conclusions which appear to us to be fair and just to all parties concerned.

(The Commission adjourned at 1 P.M,
February 12th, 1938, to resume in
Ottawa, at 10:30 A.M. Wednesday,
February 16th, 1938,)

**University of Toronto
Library**

**DO NOT
REMOVE
THE
CARD
FROM
THIS
POCKET**

**Acme Library Card Pocket
LOWE-MARTIN CO. LIMITED**

